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# China

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GENERAL

**Bush, Gorbachev 'Likely' To Sign Treaty in Jan**

*OW2911184590 Beijing XINHUA in English  
0837 GMT 29 Nov 90*

[Text] Washington, November 28 (XINHUA)—President George Bush is "most likely" to travel to Moscow in January to sign the long-awaited Strategic Arms Reduction Treaty (START) with Soviet President Mikhail Gorbachev.

White House spokesman Marlin Fitzwater, however, told reporters at a briefing that "there is any number of dates that are being considered," adding that it could even be put back further than those presently on the table.

At the Washington summit on May 30-June 3, Bush and Gorbachev reached an agreement on the broad outlines of the treaty and decided to sign it before the end of the year. But several unsettled issues involving the Soviet backfire bomber, Soviet long-range SS-18 missile, and the U.S. transfer of nuclear technology to Britain have slowed completion of the pact on time.

During their encounter at the CSCE summit in Paris last week, the two leaders agreed that the issue of arms control between the two superpowers should not be overtaken by current events.

The two sides announced that Bush and Gorbachev would have another summit in Moscow early next year.

The specifics for Bush's planned Moscow trip are becoming uncertain as the U.N. Security Council is set to discuss tomorrow a use of force resolution and the deadline for Iraq to quit Kuwait; the ultimatum might be for either January 1 or January 15. The Soviet Union, backed by France, reportedly has stood for the latter date which is one likely to be accepted by others.

Arriving in New York today for the U.N. meeting, Soviet Foreign Minister Eduard Shevardnadze disclosed that he will meet with President Bush in Houston next month to make preparations for the upcoming Moscow summit.

Before he sees Bush, the Soviet foreign minister will hold talks with Secretary of State James Baker in Houston on December 10-11.

It is believed that Moscow is eager to conclude the START accord before the deadline of a possible Gulf war.

But the timing of the Moscow summit also depends on the progress of the negotiations still underway in Geneva. "I don't know if it will be in January or perhaps a little later. To a large extent this will depend on what we will be able to do with the START," Shevardnadze said.

He said that the two sides were "quite realistic about being able to complete it."

**U.S. To Reopen Aid Negotiations With Pakistan**

*OW2711080590 Beijing XINHUA in English  
0654 GMT 27 Nov 90*

[Text] Islamabad, November 27 (XINHUA)—An American team is arriving here on December 6 to reopen negotiations on resumption of U.S. aid to Pakistan, which was suspended by Washington in October.

Local press reported today that the federal cabinet in its meeting on Monday gave its concurrence for these consultations which would be the first contact between the new Government of Pakistan led by Nawaz Sharif and the Bush administration.

The reports said that the American side will be led by Teresita Shaffer, who is deputy assistant secretary of state for South Asia and has once worked in the U.S. Embassy here as economic counselor.

The United States suspended the economic and military aid of about \$650 million for this year under the \$4.2 billion aid program signed for six years in 1987, due to the American assumption that Pakistan is trying to make a nuclear device.

Finance Minister Sartaj Aziz, who briefed newsmen about the forthcoming talks, said Pakistan's position on its nuclear program remained unchanged. There would be no compromise on Pakistan's national interest.

The reports quoted senior Pakistani officials as saying that there would be no discussion on inspection of Pakistan's nuclear facilities by outside inspectors, on which the Americans insist to make sure the peacefulness of Pakistan's nuclear program.

The Pakistani finance minister reiterated that the U.S. assistance being only one-tenth of its exports could not force Islamabad to abdicate its position on the nuclear program.

Pakistan receives about \$650 million every year under the U.S. aid program, which is more than any other country except Israel and Egypt in receiving U.S. aid. An important component of this aid is the supply of American F-16 aircraft and its spares, which is of crucial strategic importance to Pakistan.

**SOVIET UNION**

**Soviet Soldiers Given Permission To Use Weapons**

*OW2811194090 Beijing XINHUA in English  
0732 GMT 28 Nov 90*

[Text] Moscow, November 27 (XINHUA)—Soviet Defence Minister Dmitriy Yazov said today that soldiers could use their weapons if their military installations or arsenals were attacked.

Speaking on the Soviet central television, Yazov said that within the limits of the constitution, law, and presidential decrees, all necessary measures must be taken to stop insulting actions against soldiers and their relatives.

He stressed that nuclear weapons were in, and would remain in, the hands of the Soviet unified armed forces and under no circumstances could they be seized by other forces.

He said that the Soviet Army would be stationed at some important sites to defend the country's security.

Yazov also stressed that he firmly opposed establishing monuments to fascists and no destruction of or insult to Soviet soldiers' monuments would be allowed.

His statement is seen as coming as a result of the acute political struggle taking place in the Soviet Union.

Some republics within the union have recently started to organize their own armed forces and some even said they should have nuclear weapons. Others announced establishment of nuclear free zones without consideration for the security of the country.

Many republics approved laws seen as insulting Soviet soldiers, regarding the national army as occupying troops.

On November 13, when Soviet President Mikhail Gorbachev met with representatives of Soviet Army, they demanded that he take firm measures to curb "insulting actions."

Soviet newspapers reported today two new decrees from Gorbachev—he declared the political party law approved by the Lithuanian republic on September 16 invalid and ordered local governments not to refuse residence to soldiers and their relatives.

## NORTHEAST ASIA

### Analysis of Japan's Foreign Policy

#### Intentions in Asia

91CM0066A Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese No 299, Nov 90 pp 29-30]

[Article by Ting Kuo (0002 2654): "What Is Japan Up To in Asia?"

[Excerpt] [passage omitted] Now that the problems in Europe have come to a close, the attention of the world is bound to shift to Asia, where Japan, which along with Germany threatened the world during World War II, is also relying on its powerful economic might to spread its "national power" gradually from the four islands of Japan to surrounding areas. All the countries of Asia, which have suffered in the past, are watching every action of their powerful neighbor, and must raise the question: What is Japan up to in Asia?

### Use of Silver Bullets Against China and Use of North Korea To Restraine South Korea

With the end of the cold war and the imposition of Western sanctions against China because of the "4 June" incident, Japan has gained a great opportunity to launch "independent diplomacy." First of all, to get the West to agree that Japan should lift its prohibition on loans to China, Japan emphasized its special relationship with China and that it did not want China to be isolated in the world. In addition, Education Minister Hori's visit to Beijing to see the Asian Games opening ceremonies resulted in a de facto visit between high-level officials of the two countries. There was nothing inherently wrong with this. We should be grateful that Japan, which inflicted great war suffering on the Chinese people, wants to help China's four modernizations. However, the goal of high-level Japanese officials is, it seems, to use the power of money to win a different kind of "outcome" diplomatically with China. For example, during this year's commemoration of the Marco Polo Bridge Incident, there was not a single major commemorative dissertation from a Chinese official. The emphasis inside China was on the aggression against China of Western imperialism. At the grand ceremonies for the enthronement of Japanese Emperor Akihito (which both progressive Japanese and opposition parties criticized for their pronounced feudal coloration in which religion and politics were mixed, and as a great manifestation of Japanese jingoism), a place was reserved for the attendance of a high-ranking Chinese official. Are there not indications of the goal of the Japanese silver bullet offensive?

The major countries that Japan faces include not only China, but the USSR. Japan, which has long been in the first ring of U.S. world defense strategy, has always regarded the USSR as an imaginary enemy. Now that relations between the United States and the USSR have thawed, Japan can strike out. There are two matters on which the USSR needs Japan's cooperation. First, it hopes that Japan will provide money and technology to help in rebuilding the Soviet economy; and, second, it needs Japan's support for the USSR-proposed Asian security guarantee system idea. Thus, Japan and the USSR have carried on close contacts. Powerful members of the Liberal Democratic Party such as Yasuhiro Nakasone and Shintaro Abe have visited the USSR; the Soviet foreign minister has also visited Japan frequently, and an unprecedented Japanese-Soviet declaration has been signed. It is noteworthy that Japan insists that the USSR return four northern islands, otherwise it will not assist the USSR economically, nor will it sign a treaty of peace and friendship with the USSR. Inasmuch as Gorbachev, in order to get \$8 billion in aid when he visits Japan in 1991, agreed that Germany could remain in NATO after unification, it is unlikely that he will not similarly "sell" the four islands back to Japan. Japan sees this clearly. Of course, the demand for a return of territory is very normal. Nevertheless, on close examination, it is not difficult to feel that Japan has not reflected sufficiently on the war. It has always considered itself a "victim,"

citing the United States' use of atomic bombs on Hiroshima and Nagasaki and the long Soviet occupation of the four northern islands. As for its own crimes, it has denied them when it could and made light of them when it could. Once the four northern islands are returned, Japan will announce that the aftermath of the war has been completely settled, and it will be able to give free rein to its "national power."

China and the USSR are getting along with each other, and they want to bring their competitive adversary, South Korea, to heel. After the Olympic Games, South Korea launched a strong diplomatic offensive, establishing relations with each of the countries of Eastern Europe, one after another. At the end of September, it also established relations with the USSR. After the Asian Games, it established an office in Beijing.

In a speech before the United Nations, U.S. President Bush once again called for world support for South Korea's entry into the United Nations. At this time, Japan suddenly dispatched former deputy prime minister Shin Kanemaru as the head of a Liberal Democratic Party and a Socialist Party delegation on a visit to North Korea. On the pretext of offering an apology for the war on behalf of the director general of the Liberal Democratic Party (Prime Minister Kaifu), they expressed a desire to discuss conditions for payment of an indemnity in an effort to develop a new relationship with North Korea. In a joint declaration, the two parties hinted at the establishment of diplomatic relations at the end of the year. This was entirely for the purpose of balancing North Korea against South Korea and to seize a favorable position in the readjusting the political order in Asia. If Japan is truly repentant, then the emperor should apologize to all countries of Asia that were victims, and discuss the indemnification issue with them.

#### **Use of Every Possible Means To Revise the Constitution To Expand the Armed Forces**

Japan's postwar peace constitution clearly provides that Japan is to renounce all forms of warfare and not send military forces abroad. For this reason, the right wing in Japan has murmured for many years about revising the constitution with the idea of gaining legal authority for expanding the armed forces. During the Iran-Iraq war, Nakasone wanted to send a Japanese Self-Defense Force minesweeper to the Middle East to protect the seas, only to encounter stiff opposition from chief cabinet minister officials Masaharu Gotoda and Masayoshi Ito.

The current Middle East crisis has again provided a pretext for the constitution revision faction. When the United States asked various countries to share costs in blockading Iraq, Japan first allocated \$1 billion and then allocated \$3 billion. On 27 September, the Kaifu Cabinet expressed a political view that advocated placing non-combat military personnel in a peacekeeping force to dispatch to the Middle East, under direct command of the prime minister.

Actually, as soon as the Middle East crisis erupted, a discussion about sending troops took place in Japan. The strong view that it was better to send troops than to give money to the United States was widely held among statesmen around 40 years old and in the prime of life. They had long since tired of being under protection of the U.S. military umbrella. Had not the United States asked Japan to take full responsibility for U.S. forces in Japan? Some high government officials said openly, "You Americans ought to be on your way," inasmuch as Japan's economy and its scientific and technological level gave Japan sufficient strength to have nuclear submarines, aircraft carriers, and even atomic bombs within an extremely short period of time. Kaifu's so-called "peaceful personnel" seemed to be just an excuse.

Although Japan's military expenditures amount to only approximately one percent of GNP, in absolute terms they stand third after those of the United States and the USSR. The economic decline of the United States is bound to result in a gradual reduction in its forces in Asia, and the USSR's numerous problems allow it no time to be concerned about Asia. Whether Japan will fill the vacuum, expanding its power in Asia, cannot be determined at present, but its Asian neighbors feel uneasy. The lessons of history are bitterly painful.

#### **Wild Statements of Important Personages**

Certainly Japan's full use of its economic power to support the countries of Asia in taking a course toward common prosperity and maintaining peace in the Asian region would be the best way to change its former shameful image. But reality is not that simple. Under the slogan of "internationalization," Japan dumps commodities in the world, and domestically it is quietly reviving narrow nationalistic feelings. The wild statements of some important personages provide a hint of this.

Never mind the wild statements of ministers in different cabinets such as Fujio and Okuno, the recent wild statements of Minister of Justice Seiroku Kajiyama, and of Diet member Shintaro Ishihara are very good examples. After a campaign to stamp out prostitution in the Fuka District of Tokyo, at the Tokyo Police Academy Kajiyama likened prostitutes to U.S. blacks. Such an obvious racial comment shows that many Japanese are still immersed in the illusion of the "superiority of Japanese Yamato racial purity," and it was just such a theory of racial superiority that was the foundation for prewar Japanese jingoism. It was also an ideological weapon for Japan's powerful promotion of the "East Asia CoProsperity Sphere."

Diet member Shintaro Ishihara was a former candidate for prime minister. He even more brazenly covered up Japan's guilt for starting the war. During an interview by HUAHUA GONGZI [5363 5363 1362 1311] magazine, he said that "the Nanjing massacre was a lie fabricated by the Chinese for the purpose of damaging Japan's reputation." Ishihara dared speak so recklessly because he was elected to the Diet with the highest number of

votes in a general election. Clearly, such a vile person's distortion of history had public support. Clearly Japanese society may remain a huge hotbed for the reenactment of a historical tragedy. People of all countries in Asia are apprehensive about Japan's future course, and not without reason. We would like to ask who would have thought that the refined and courteous Japanese were the executors of the "triple atrocity" policy?

### Concluding Remarks

That Japan intends to go from being an economic power to a political, economic, and cultural power is no cause for criticism. However, if it takes the wrong road, we will have to admonish and correct it. The Japanese people are usually limited by group thinking, and can do little to check the government or limit the power of its statesmen. Foreign pressures frequently have some effect. Japan's Asian neighbors and the public have the responsibility and the duty to inquire at all times: What is Japan up to in Asia? Cannibalism causes trouble for others, and ultimately it can bring trouble on oneself. The Asian region must have true peace and coprosperity and must not allow the likes of Shintaro Ishihara to reenact the old dream of an "East Asian Coprosperity Sphere!"

### Foreign Trade Sector

*91CM0066B Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 19, 8 Oct 90 pp 12-13*

[Article by Zhu Xinkun (2612 1800 0981): "Lash Out or Acquiesce?—The U.S. Dilemma About 'Surplus Utilization'"]

[Excerpt] [passage omitted] **Japan's Intentions**

First of all, Japan intends to continue to maintain a certain regular surplus in the name of supporting East European and developing countries, thereby using its economic power as a backstop for active participation in the building of a new international order.

Second, Japan hopes that "surplus utilization" can become a chip to be used to oppose U.S. economic pressure during Japanese-U.S. economic talks. With the easing of relations between the United States and the USSR, the United States has begun to view Japan as a strong competitive adversary economically and technologically, and to steadily contain Japan's economic offensive. In the face of strong pressures from the United States, all Japan could do in the past was to give way steadily, but now Japan hopes to use "surplus utilization" as a negotiation weapon to oppose U.S. economic "blackmailing" of Japan, and to haggle with the United States in the economic struggle between Japan and the United States to win maximum benefit. A Japanese Ministry of Finance official said straight out before the conclusion of Japanese-U.S. economic structure negotiations: The "surplus utilization" that the International Monetary Fund has proposed will become a powerful

basis for Japan to respond in Japanese-U.S. economic structure negotiations to U.S. demands that Japan expand public investment.

Finally, Japan hopes to continue to maintain a regular favorable balance in order to avert too great a depreciation of the yen to maintain the momentum of Japan's sustained economic growth. Because of the dramatic decline in the usual surplus and the strong demand for U.S. dollars during 1990, the rate of exchange for the yen declined tremendously, creating no small impact on the Japanese economy. An official in the Japanese Ministry of Finance complained that the dramatic decline in Japan's huge surplus caused people to lose confidence in the Japanese economy. The Japanese Government maintains that Japan's huge surplus is held by large businesses engaged largely in exporting, and that the government not only does not have it but also owes an internal debt of 1.64 trillion yen, an amount equal to nearly three times the total annual budget. Thus, were the government to use the surplus for public investment in order to expand domestic demand, it would have to raise taxes and issue government bonds. This might very well cause inflation and lead to the Japanese Government's adoption of an austerity policy and thereby bring about a decline in Japan's sustained economic growth.

### CASS Personnel Monitor Students in Japan

*91CM0067A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 250, 1 Nov 90 pp 88-89*

[Article by De Min (1795 3046): "What Have the Chinese Communists Been Having the Chinese Academy of Social Sciences Do in Japan?"]

[Text] The Chinese Academy of Social Sciences [CASS] is the top social science research organ in the mainland. It is well funded and staffed, and exercises a great deal of influence at home and abroad. For this reason, some foreign research institutes provide funding and opportunities for its researchers to do research abroad. Japan, in particular, invites at least 100 people every year for short or long stays there. Since the 4 June incident last year, CASS has been regarded as a disaster area, and the central leadership of the Communist Party has taken direct charge of work to purify the ranks at CASS, which has led to big changes. Because Japan is the capitalist country nearest Mainland China and has close ties to the West, the Chinese Communists have used personnel from CASS to operate in Japan. What have they been up to in Japan? I shall list a series of examples.

### Seventeen Regulations To Restrict Travel Abroad

Let us first examine the situation in Beijing. Because people within CASS have been uncooperative, the effort to carry out a purge there has yielded little success. Time and again, attempts have met with failure. For this reason, it has been decided for the time being to suspend the purge and registration of party members. Instead, replacing midlevel cadres such as institute and bureau heads has been the main tactic. Many Propaganda

Department directors from various provincial party committees have been transferred in to serve as institute and bureau heads. People close to high officials have revealed that about March next year (1991), after personnel changes have been completed, another large purge of the entire academy will be carried out, and it will not be the type of perfunctory exercise going on now. Anyone with any connection to the 4 June incident will be called to account.

In addition, great numbers of people have traveled abroad in recent years, including many young and middle-aged researchers from CASS (many of whom are Communist Party members). Because they have ties to many institutions abroad, it is relatively easy for them to leave the country, and many have done so since the 4 June incident. Most of these people will not return, so in early July this year CASS circulated 17 internal regulations on foreign contacts and travel. They were distributed only down to the level of institute head, but people below that level have been informed of relevant sections. No one has been allowed to take notes on the content of these regulations, much less are they to reveal such contents to other people. Apart from stipulating that authorization must be obtained in advance before having contact with foreigners, the 17 regulations add new rules prohibiting people from inviting foreigners to their homes and from having contact with foreign diplomats or reporters without prior authorization from the CASS party committee. Apart from those who travel abroad under official sponsorship, anyone who desires to use his or her own means to travel abroad must apply six months in advance. (Including those traveling to attend funerals; when the regulations were being circulated, one institute head pointed out that no one can know a half year in advance when their parents are going to die, to which the Central Propaganda Department responded brilliantly by saying that certain problems could be handled on a case-by-case basis.) When anyone goes abroad, they must relinquish their apartment, and anyone who stays abroad for more than five months must give up their employment. All documents (notebooks, and so on) to be taken abroad must first be inspected. In short, every regulation is intended to restrict travel abroad.

In addition to personnel currently employed in CASS, travel abroad by some retired personnel has also been restricted under the pretext that weather and lifestyles abroad are not suitable for old people. Public security organs have also been informed that they will not be allowed to process applications for travel abroad (these were originally handled by the Foreign Affairs Bureau, but this task has been handed down to the local level in order to restrict and impede travel abroad).

#### A Strange "Delegation"

CASS has so many regulations within China to restrict travel abroad, and it has also been very active outside China. Under the guise of academic research, CASS is using the research positions and funding offered by

Japan to expand intelligence gathering and sabotage (against the democracy movement). The Chinese Communists have naturally used CASS as an instrument to learn what is happening among democracy activists in Japan. At any rate, there have always been personnel from the security system present at CASS.

Since the 4 June incident last year, the Chinese Communists have sent many people under various pretexts to operate in Japan, but they have not achieved much. Many "professors" have been completely unmasked by Chinese students in Japan who ask them questions they cannot answer. Some people sent by the Chinese Communists to Japan have used their huge "stipends" (reported to be \$150 per day, in addition to government-paid room, board, and transportation) to lead lives of excess in Japan's entertainment quarters. Two people who had just arrived in Tokyo fell in with some "short-course students" [jiu xue sheng] and spent a prodigious sum of money. ("Short-course students" are those studying in the Foreign Languages Institute. They are different from other "students abroad" [liu xue sheng].)

Since the beginning of this year they have changed their tactics and have begun to use the funding and positions provided by Japan to send "scholars" and "professors" to Japan, where they collect intelligence and buy people off. In March, CASS sent a six-person "Delegation for the Study of the History of Sino-Japanese Relations" to Japan. The leader of the delegation was Yang Zhengguang [2799 2973 0342], who is serving concurrently as the director of the Research Committee on Sino-Japanese Relations, and as director of one of the institutes under CASS. (It was not known whether the other five members of the delegation came from CASS, nor what their fields were.) It appears that the leader of this delegation, just like the previous director of the Japanese Institute, He Fang [0149 5364], did not know Japanese or the history of Sino-Japanese relations. Some of the five delegates had sufficient knowledge of Japanese to engage in small talk, but they were completely ignorant about the history of Sino-Japanese relations. In Tokyo they went to see Koichi Nomura, the adviser of Yang Zhongmei [2799 0022 5019] (director of the Japan branch of the Alliance for Democracy in China). In Kyoto they went to one of the major hotbeds of democracy activists, the Humanities and Sciences Institute. They also met with people in the Japanese academic community who had always had contact with China. It is said that an old subordinate of the chief editor of a certain branch office of a certain official newspaper continually sent back to China the intelligence gathered by the people they had installed there. In addition, it is also said that they asked Japanese businessmen for money.

Recently, some well-known professors in Japan who have never met with Yang Zhengguang received personal letters of invitation from him (the strange thing is that the envelopes bore return address of the Beijing Dongzhimen Institute of Chinese Medicine, while the stationery was from the Research Committee on the History of

Sino-Japanese Relations) to come to Beijing next March to participate in an international academic conference, with all expenses for transportation and tourism paid by said committee.

Last March, apart from sending the "Delegation for the Study of the History of Sino-Japanese Relations" to Japan, CASS also used money provided by the International Exchange Fund to send a nine-person delegation of scholars to Japan, supposedly to do research. The delegation was headed by Luo Weilong [7482 3643 7893], a former BEIJING RIBAO correspondent in Tokyo and now serving concurrent posts as director of the CASS Japan Studies Institute and deputy director of the Japan Association. Luo Weilong had been stationed in Japan for a long time and had broad contacts, so he remained in Japan for two more weeks after the other members of the delegation had returned to China. It is said that they reaped quite a harvest during their trip, and that they took back more than 20 boxes of videocassettes alone. No doubt they also set up a large network of informers.

#### "Students" Sent Abroad by CASS

Following last year's 4 June incident, the Chinese Communists sent many "professional students" to Japan to set themselves up in schools where there are relatively large numbers of Chinese students, but they were easily identified because of their peculiar behavior, so they did not achieve much. The Chinese Communists have changed their tactics this year, using, as much as possible, money and positions provided by foreign countries to send trained people to schools and organs where Chinese students are particularly numerous or active. They go under the pretext of doing research, but in reality their purpose is to sabotage and learn about the activities of Chinese students, and to compile blacklists for future retaliation.

It is said that Kyoto University's Humanities and Science Institute is the nerve center of prodemocracy activities in Japan's Kansai region. In the past the Chinese Communists had to rely on professional students at Kyoto University or to continually send delegations over to learn about conditions there, and the effectiveness of this sort of plan was naturally quite limited. This year the Chinese Communists have used one of the spots provided by the International Exchange Fund to send Zheng Hailin [6774 3189 7792], to Kyoto University. Zheng, who was formerly at Shenzhen University, has been sent to Kyoto supposedly to do research on Huang Zunxian [7806 6690 2009].

In addition, there are many Chinese students at Tokyo's Gakugei University, many of whom are key activists. CASS had sent Li Ge [2621 2706], son of Zhonghua Books general editor Li Kan [2621 0170], to this university last year (it is said that Li Kan went to Hong Kong in August and reported back on what he learned about contacts between many mainland intellectuals and Hong Kong, for which he was highly praised). Later, the

identity of Li Ge (from the Institute of Modern History) became known and he was transferred to Meiji University, after which another of Li Kan's subordinates, an editor by the surname of Wu [0702] from Beijing University, was transferred to Gakugei University. In addition, people have been sent with special assignments to keep an eye on other places where Chinese students congregate, including the Sino-Japanese Friendship Association, the Asian Culture Association, and the China House. However, those people were not sent by CASS nor do they report to CASS, but to the Education Section of the Chinese Embassy.

Last month, the CASS Institute of History sent a delegation headed by its deputy director, Li Zude [2621 4371 1795], to Japan, with all expenses paid by Japan, but they took advantage of the "all-expenses-paid" nature of the trip to buy gift items. At an informal discussion held at Kyoto University's Humanities and Science Institute (a must on the itinerary of all CASS delegations in recent years), a Japanese professor's assistant raised a few very general questions which this deputy director of a research institute was unable to answer. Later he told the Japanese that he would soon retire and that he had been chosen as delegation head as a sort of farewell gift. It is said that the delegation's interpreter, while drinking with some Japanese people after a meal, came to blows with the Japanese when they refused to divulge any intelligence. When the delegation went to Tokyo, it is said that Li Kan's son, Li Ge, took them to patronize a certain place there. It is reported that recently, in order to reward a certain researcher for betraying Bao Zunxin [0545 6690 0207], who had participated in the democracy movement [arrested after the 4 June incident last year and not yet released], the Institute of History allowed the researcher to lead a group of security personnel to Japan to identify Chinese escapees all over Japan. They will stay in Japan for two or three months.

The director of the CASS Foreign Affairs Bureau, Zhang Wenge [1728 2429 7041], and the director of the CASS Asia and Africa Section, Li Wei [2621 5633], once went to Japan for 10 days. Their announced purpose was to investigate the conditions of CASS personnel in Japan as well as their contacts with Taiwan. According to Foreign Affairs Bureau personnel stationed in Japan, though, they took a lot of money to Japan, which they distributed to personnel there to cover expenses. This type of thing has happened more than once; it is just that we do not know about the other times.

The incidents mentioned here are only one or two percent of what has been happening. When CASS acts in the guise of an academic organ to do things like this, is the motive not clear?

#### Antigovernment Rallies Staged in ROK

*OW2611092890 Beijing XINHUA in English  
0910 GMT 26 Nov 90*

[Text] Pyongyang, November 26 (XINHUA)—More than 7,000 students and citizens in many parts of South

Korea held rallies on Sunday demanding the ouster of President No Tae-u's government.

According to a report broadcast today on Seoul Radio, protestors in there and in the city of Pusan conducted "rallies to promote No Tae-u's government to step down" at 11 universities and 24 public places.

Riot police who were sent to campuses and other places by authorities clashed with demonstrators which led to 49 people being injured and the arrest of another 259, the report said.

In what Seoul Radio said was one of the year's worst clashes, demonstrators also accused the government of weakness in the face of U.S. pressure over trade issues.

## NEAR EAST/SOUTH ASIA

### Analysis of Iran's Gulf Crisis Policy

91CM0077A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 44, 29 Oct 90 pp 38-39

[Article by special correspondent Li Hongqi (2621 4767 2475): "Iran's Stand in the Gulf Crisis and Its Responses to the Situation"]

[Text] (By special wire from Tehran) In the present crisis in the Persian Gulf, Iran, one of the large countries on the Gulf, on the one hand condemned Iraq's invasion of Kuwait, but also declared itself against the military buildup by the United States and other Western countries in the Gulf region. It proposed a peaceful settlement of the dispute through enhanced regional cooperation and without external interference.

On 2 August, on the very day Iraq's Army went into Kuwait, the Iranian Ministry of Foreign Affairs issued a statement in which it condemned Iraq's aggressive expansion and demanded the "immediate and unconditional" withdrawal of Iraqi troops from Kuwait. However, some have noticed a rather mild tone in Iran's statement, a fact for which the main reasons are: First, Iraq, in a turnabout from its previous attitude and on its own initiative, sued Iran for peace. Second, Kuwait had previously been an ally of Iraq, generously contributed money to Iraq, and assisted it in its war against Iran. When strict international sanctions were imposed on Iraq, the standpoint of the Iranian Government became increasingly evident and specific. Late in August, when Kuwait's minister of foreign affairs proposed a visit to Iran, Iran's hardliners opposed such a visit, but the government determinedly treated the visitor according to the highest standards of protocol, and President Rafsanjani in particular made it very clear that Iran respects Kuwait's sovereignty and the invulnerability of Kuwait's territory, and also supports the return of the Sabah family to its ruling position.

Iran took this position out of the following considerations:

1. Iran is afraid that Iraq's initiative of suing for peace was merely a tactical readjustment because of its unprecedented international isolation, and that Iraq was not at all sincere in its desire for peace, but that Iraq, once it has firmly consolidated its occupation of Kuwait and expanded its military and economic strength, could turn around again and confront Iran.
2. Iran has all along believed that Iraq's aggression against Kuwait will lead to the dispatch of military forces by the large Western countries into the Gulf region, and that this would destabilize the overall situation in the Gulf region for a long time.
3. Iran is afraid that the West will conclude some compromise agreement with Iraq which will ignore Iran's interests. Leaders of the Ba'th party have hinted on several occasions that Iraq would be willing to withdraw its troops up to Bubiyan Island, about which Iran has its own intentions. Iran has therefore expressed firm opposition to any such compromise and declared that "any territorial and political change would be unacceptable."

However, Iran's stand of condemning Iraq's aggression does not at all imply that it will halt its pursuit of peace with Iraq.

Since Iraq declared in the middle of August that it would accept all of Iran's conditions for peace, Iraq's military forces have basically evacuated the more than 2,600 square km of Iranian territory that they had occupied, and the two countries have exchanged over 70,000 prisoners of war. Early in September, Iraq's foreign minister again visited Tehran for the first time, and later Iran's deputy foreign minister visited Baghdad. The two countries resumed diplomatic relations on 14 September and reopened their embassies in the two capitals. With the rapid improvement in relations between the two countries, Iran scored one point after the other, and as the situation develops it causes concern and anxiety among neighboring countries and in the other Arab countries. The recent visit to Iran by Syria's President Assad is directly related to the situation in the Gulf and to the relationship between Iran and Iraq.

There is longstanding animosity between Syria and Iraq, and, in the Iraq-Iran war, Syria had supported Iran. After outbreak of the Gulf crisis, several thousand Syrian troops took up positions in Saudi Arabia, and it is said that, after Iraq made peace with Iran, Syria had tried to persuade Iran to delay the peace process with Iraq, but had met with rejection. Iran believes that the Gulf crisis is a "godsent opportunity" to pressure Iraq into making concessions.

Iran has repeatedly expressed concern about the military buildup in the Gulf region by Western powers, especially by the United States, and has expressed the opinion that this action is motivated merely by the desire to protect Western interests, and that it is harmful and without benefit for any resolution of the "explosive" situation in the Gulf region. Rafsanjani has stated that Iran would

not object at all if foreign troops were dispatched only to stop Iraq's aggressive expansionism, but once Iraq withdraws its troops from Kuwait, all foreign troops should also be withdrawn from the Gulf region. Early in September, U.S. Secretary of State Baker revealed that the United States intends to establish in the Gulf region a "regional security organization" and intends to maintain a long-term military presence in the Gulf region. This distinctly raised Iran's anti-U.S. tone, and Iran's supreme leader Khamenei even called for a "holy war" of Muslims against the United States.

However, this does not indicate that Iran is deviating from the principles of its original standpoint. After Khamenei called for "holy war" against the United States, Iran's Supreme Security Council quickly called a meeting and again stated that Iraq's invasion of Kuwait is the basic cause of the Gulf crisis. On his visit to Iran, Syrian President Assad established complete agreement with President Rafsanjani in emphasizing that "any political solution (method) applied to the Gulf crisis must be based on an Iraqi withdrawal of its troops from Kuwait." The joint Syrian-Iranian communique declared that both countries will exert pressure on Iraq. However, three days later Iran officially organized anti-American demonstrations throughout the country. This seems to show that Iran still intends to establish some kind of a balance in the Gulf crisis.

As revealed here in Tehran by members of the diplomatic circle, Iran officially proposed during the visit of the Syrian president setting up a "regional security organization" comprising all Arab countries with participation of Iran. This plan was regarded as directed against Iraq and also against the military presence of the United States and the other Western countries in the Gulf region. Iran's specific ideas and the reaction of the Arab Gulf countries has not yet become known, but many doubt that this plan can be carried out, for the following reasons: The Gulf crisis has brought about a new split in the Arab world, and it seems that nobody has the power to turn the tide and again close the rift. Some Arab countries (such as Saudi Arabia) are still biased against Iran, but, on the issue of the foreign military buildup in the Gulf region, Iran is far from the standpoint of the other Gulf countries. Syria agrees with Iran's proposal, but Syrian diplomats stationed in Tehran admit that Iran's idea is something for the time after Iraq withdraws its troops from Kuwait.

After Iran proposed setting up a "regional security organization," Kuwait's minister of foreign affairs was quick to visit and explore ways to cooperate with Iran. A delegation composed of 22 outstanding religious personalities from about 10 Islamic countries arrived in Iran, seeking Iran's support in anti-American activities. It is by maintaining these multilateral contacts, that Iran is trying to enhance its position in this region and also internationally.

Britain and other Western countries believe that Iran's standpoint is acceptable. A British official said that the

Gulf crisis finds Britain, Iran, and Syria "in the same battle trench." Britain and the other countries of the European Community are all agreed on normalizing relations with Iran, and this will no doubt be highly beneficial for Iran.

It appears that Iran's present intentions are to go on expanding its multilateral diplomatic activities, to take advantage of the Gulf crisis to improve its relations with its neighbors and with the Western countries, and to bring about a change in its past state of isolation. At the same time, Iran is utilizing the present opportunity to enhance its own economic strength. The Gulf crisis caused a steep rise in oil prices, which brought Iran unforeseen benefits as it increased its income from oil exports by \$700-800 million a month, so that this year's revenue from actual oil exports can be expected to be double its original estimates.

It is generally believed that, although Iran is benefiting from the Gulf crisis, it will in future still maintain a cautious attitude and as far as possible avoid a direct involvement in the conflict. Iran has repeatedly stated that it will observe the UN resolutions that are imposing sanctions on Iraq, and has recently announced the arrest of 29 persons who tried to smuggle contraband into Iraq. Iran has furthermore declared that it will strengthen the blockade at the Iran-Iraq border.

## WEST EUROPE

### UK Decides To Join EC Exchange Mechanism

#### Thatcher's Opposition

*91CM0076A Beijing LIAOWANG [OUTLOOK] in Chinese No 46, 12 Nov 90 p 44*

[Article by special correspondent Fu Quansheng (4569 3123 3932): "Turbulence on the British Political Stage Over the Issue of Europe"]

[Excerpt] [passage omitted] The European issue hovers like a ghost over the British political stage; as soon as it appears, the quarreling starts.

The focus of this problem is on how to deal with the Delors plan, named after Jacques Delors, president of the Executive Commission of the European Community [EC]. Delors proposes that the EC set up a European economic and monetary union and in three stages achieve monetary and economic integration. In the first stage, the EC member countries are to join an exchange mechanism. In the second stage, a European central bank is to be set up to control currency policies of the various countries. In the third stage, a single European currency shall be created, which shall replace the national currencies of the various member countries.

Mrs. Thatcher vigorously opposes the plan for currency and economic integration, as she believes that it infringes on sovereignty, that it will rob the Parliament at Westminster, the forefather of modern bourgeois

democracy, of its decisionmaking power, and that it will also be the death knell of the British pound, which had been so brilliant an institution in its time. Howe, on the other hand, believes that integration is the trend of the times, that the "European train" is starting on its way, and, unless Britain wants to become a second-rate citizen in Europe, it had better get on and ride the train.

Originally, Howe too was skeptical of the European monetary union. Since he became secretary for foreign affairs and regularly attended the meetings of the International Monetary Fund, he came to agree with the opinions of the chancellor of the exchequer, Lawson, that joining the European monetary system would be helpful in stabilizing the British economy, and, as such, a wise move to make. In other words, he had long ago parted company with Mrs. Thatcher on European policy.

At the EC's summit meeting in Madrid in June of last year, Howe and Lawson together persuaded Mrs. Thatcher to agree that, when the time is ripe, the British pound will be allowed to join the exchange mechanism, that is, to join the execution of the first stage of the Delors plan. For his conduct, Howe had to pay a high price. When the prime minister reshuffled her Cabinet in July, Howe was removed from the foreign ministry and made a deputy prime minister without actual power; he was from that time removed from the inner circle of the Cabinet. Later, also came the resignation of Lawson.

On 8 October this year, on the eve of the annual meeting of the Conservative Party, Mrs. Thatcher suddenly declared her willingness to join the exchange mechanism, apparently yielding to domestic and external pressures. It was a step taken against her inclinations but an attempt to reverse the deteriorating political and economic situation, but she would also only go so far and definitely not go any further.

The "pro-Europe faction" in the Conservative Party believes that it is by far not yet enough to merely join the exchange mechanism. At a smaller gathering at the time of the Conservative Party's annual meeting, Howe once warned Mrs. Thatcher that very soon the whistle will be blown to start the "European train" on its way, and that she should not waste time at the ticket office like someone who has no idea yet of where he or she wants to go.

Actually, Mrs. Thatcher was very clear about her objective. On 27 November at the special summit meeting of heads of state of the 12 EC member countries in Rome, she all by herself opposed implementation of the schedule for the second stage of the Delors plan, to which the other 11 states had all agreed. She also opposed the creation of a single currency to replace all national currencies, and proposed a hard European currency unit to be in use side by side with each country's national currency. [passage omitted]

### Reasons Behind Policy Change

91CM0076B Beijing LIAOWANG [OUTLOOK]  
in Chinese No 44, 29 Oct 90 pp 43-44

[Article by special correspondent Wang Shengliang (3769 3952 5328): "Why the British Pound Joined the EC Exchange Mechanism"]

[Excerpt] [passage omitted] Does the fact that the British pound will join the exchange mechanism indicate that conditions have indeed matured to the extent that Mrs. Thatcher had originally mentioned? Not at all. At the time of the Madrid summit, the British inflation rate was 8.3 percent, while the average in the EC was 4.3 percent. At present, the British inflation rate is 10.9 percent, still higher than the EC average of 5.9 percent. Mrs. Thatcher's explanation of it is that the government had decided "that the time had indeed arrived," because the anti-inflationary policy was just showing results. Some time before that, on 26 September, when Major was attending a meeting of the International Monetary Fund in Washington, he hinted that the reason for the British pound joining the exchange mechanism was mainly the inflationary trend of the British pound, and not for reasons of really bringing down British inflation to the average inflation rate of the other EC countries.

Why did Mrs. Thatcher choose this time for the British pound to join the exchange mechanism? It was mainly the result of four factors: First, Britain was on the verge of an economic depression, and joining the exchange mechanism could stabilize the currency, attract investments, and with a lower interest rate stop further inflation. Second, public opinion polls indicated that public support for the Conservative Party had clearly fallen below the support for the opposition party, the Labor Party, and if the British economy did not improve, Mrs. Thatcher would have no chance of a fourth term in the next general elections. Third, if Britain were to remain undecided and keep its currency out of the exchange mechanism at the forthcoming EC summit meeting and intergovernmental conferences in December of this year in Rome, when the economic and political union and a revision of the Treaty of Rome is to be discussed, it would hardly be able to exert any influence and would run the risk that none of its proposals would be listened to. Fourth, the Gulf crisis has increased the urgency for the British pound to join the exchange mechanism. Should hostilities erupt, this trump card to win the general election would be lost.

Mrs. Thatcher's decision to announce on 5 [October] that the British pound would join the exchange mechanism was also done out of specific considerations: First, that day was a Friday, and all monetary institutions would be closing quotations for the weekend. By making the announcement one hour before closure of quotations it was possible to test the reaction of the money market; it came out that the move was indeed greatly welcomed, and the value of the British pound and of British stock

prices rose considerably. Second, the annual meeting of the Labor Party ended on that day, and the announcement robbed the Labor Party of the opportunity to provide the primary news item, and this again weakened the Labor Party meeting's impact on the public. No wonder the Labor Party accused the Conservative Party

government of being guided predominantly by political motives in choosing this opportunity for its action. Third, the annual meeting of the Conservative Party was set for the 9th to the 12th, and the fact that the British pound would join the exchange mechanism was apt to boost morale within the Conservative Party.

## NATIONAL AFFAIRS, POLICY

### Prospects for Further State Enterprise Reform

HK0211073090 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 90 pp 20-27

[Article dated June 1990 by Guo Yuanxi (6753 0337 2522), Institute of Structural Reform under the Sichuan Provincial Academy of Social Sciences; edited by Zhang Tianxin (1728 1131 1800): "Thoughts on Deepening the Reform of State-Owned Enterprises"]

[Text] The reform of urban state-owned enterprises, which began in October 1978, has gone through two stages of development, namely, the extension of decision-making power and the introduction of the contracted managerial responsibility system. Through reform, state-owned enterprises have undergone qualitative changes and are becoming socialist commodity producers and operators. However, our enterprises are still a long way from meeting the requirements of the development of the socialist planned commodity economy. The principal problems are that many state-owned enterprises are still dependent on the state and lack genuine management autonomy and initiative, they are still basically unable to assume sole responsibility for their own profits and losses, and many of them have been running at a loss for a long time. In some enterprises the relations between the director, the party committee, and the trade unions have not been put right and internal depletion is serious. There is a conspicuous tendency toward short-term activities. The relations between the state and the enterprises in the distribution of economic interests have not been fundamentally put right. With heavy burdens on their backs, enterprises cannot show their vitality to the full. The universal practice of relying on enterprises to run social services has also added to the burdens of enterprises.

These problems, coupled with the lack of well-coordinated macroeconomic reform, including the reform of the pricing, financial, taxation, and monetary systems and the government's macroeconomic regulation and control functions, have affected and restricted the deepening of enterprise reform.

Seen from our experience in reform over the past 12 years, the irrationality of the enterprise and macroeconomic structures is always intertwined with unbalanced economic development. In order to fundamentally prevent the reoccurrence of economic imbalance, we must tackle the structural problems at the root. It is only when we have a good structure that we can guarantee normal economic development and the effective realization of our targets. The enterprise structure is the basis for the operation of the socialist economy as a whole. To this end, we must achieve new breakthroughs in our enterprise reform on the existing basis for reforms in the first half of the 1990's, that is, during the "Eighth Five-Year Plan."

### I. The Targets of the Reform of State-Owned Enterprises

Seen in terms of the purposes behind their activities, state-owned enterprises in China may be divided into two categories. The first category comprises nonbusiness enterprises which are mainly found in the social infrastructure sector. They do not have profitmaking as their primary target and their main investment entity is the state. The state lays down their labor and wage systems in a unified manner while endowing them with certain authority. Enterprise directors and managers are appointed by the state or recruited through advertisement. Enterprises of this sort make up only a small number. The other category comprises business enterprises which are found in the industrial, communications, commercial, materials, and other sectors. They are the basis and main strength for the development of the socialist commodity economy. The deepening of reform in these enterprises will constitute the focus of our economic structural reform for some time to come. The new operational mode to be established for business enterprises should have profitmaking as its target, should be market-oriented, and should enable enterprises to make their own decisions while assuming sole responsibility for their own profits and losses.

In business enterprises, management autonomy and sole responsibility for one's own profits and losses have their respective meanings, but the two are also inseparably linked. Management autonomy refers to the powers which an enterprise should be able to exercise, while sole responsibility for profits and losses refers to the duties and interests due to that enterprise. Their inseparability means that responsibility and power and interests must be united, that management autonomy must have sole responsibility for profits and losses as its premise, and that the realization of sole responsibility for profits and losses must have management autonomy as its guarantee. Quite a number of our state-owned enterprises are running at a loss due to poor performance. Even those which are making a profit are not very stable and are susceptible to losses due to market fluctuations. The fact that enterprises are running at a loss not only means additional financial burdens for the state. It also means reduced revenue for the state. This is not conducive to the development of the socialist planned commodity economy and the realization of the goals of modernization. Thus, the most important goal of reform for all business enterprises in the next five years will be the realization of full financial responsibility. This is also the fundamental task of economic structural reform during this period.

The difficulty in implementing sole responsibility for profits and losses lies in the assumption of responsibility for losses. In particular, we will need to clearly specify the entities responsible for the losses and find out whether these entities can bear the responsibility for losses. The basic requirements for these entities and their abilities are as follows: First, they must have a given amount of assets which can be put to use in production.

Second, the said assets must be utilized and controlled by, and able to create additional value for, the entities concerned. Third, the entities concerned should be able to dispose of the said assets and use these to make good deficits. This requires that the property ownership of business enterprises be clarified. Requiring business enterprises to assume sole responsibility for their own profits and losses does not mean that all state-owned business enterprises must adopt the same mode of operation. Three different modes of operation may be adopted in the light of specific conditions: First, small state-owned enterprises may be transferred to individuals or collectives with compensation. This will usher them onto the road of full financial responsibility. Second, some large state-owned key enterprises which need the direct involvement of the state to balance and ensure their supply, production, and marketing, may continue to operate on a contract basis and be assessed on the basis of self-calculated profits and losses. Third, the majority of state-owned enterprises can gradually make the transition toward the shareholding system on the basis of improvements in the existing contracted managerial responsibility system. Experiments should first be carried out at selected enterprises where conditions permit, to ascertain the situation and create the necessary conditions.

The development of the shareholding system should not alter the nature of state-owned enterprises, that is, it should not change the state ownership of their means of production. The shareholding system is a mixed economy, a mode which, on the basis of recognizing the existing owners, involves reorganization by drawing in the assets of other owners. Under this mode of operation, property rights relationships are plural. Profits realized by these enterprises are divided among their shareholders in the form of dividends and losses incurred are borne by shareholders. Shareholding enterprises may be run in several forms. As China is a socialist country at the primary stage of its development, we can only proceed from existing conditions in our efforts to transform state-owned business enterprises into shareholding enterprises with Chinese characteristics. Only in this way will these enterprises be able to assume sole responsibility for their own profits and losses without affecting the existence of the state economy. Central to this transformation is the need to ensure that the worker collectives in existing state-owned enterprises will be holding a definite amount of shares. In other words, in these shareholding enterprises there should be state-owned shares, shares jointly held by worker collectives, and shares held by individual staff and workers. Outside shareholders may also be drawn in through a diversity of forms. State-owned shares should be based on past asset stock. Fixed assets created by state investment will still belong to the state and additional fixed assets subsequently created by direct state investment will also belong to the state. Representatives of state-owned shares are state asset operating units. Worker collective shares are based on existing and future added assets. Privately-owned assets of enterprises and fixed assets

created by after-tax repayment of loans will belong to worker collectives of the enterprises. Representatives of worker collectives are the workers' congresses. Among the four types of shares mentioned above, worker collective shares occupy a decisive position and plays a decisive role in the financial independence of business enterprises.

The aim in creating worker collective shares is to encourage workers to show concern, out of their own personal interests, for their enterprise's production and development. This will enhance the workers' sense of responsibility as masters and safeguard the rallying force of the appreciation of enterprise assets as a whole. It will also form some sort of interest constraint. For this reason, asset ownership in worker collective shares cannot be quantified down to the personal level. Rather, the dividends payable should be tied to collective welfare and the earnings of the entire body of workers. In order to increase the collective benefits of its workers, an enterprise must try its best to put in additional investment and enlarge the collective share so that total dividends payable to the collective can be increased. This means reducing the present collective consumption for the sake of long-term collective interests. If an enterprise incurs losses, they must be made good from dividends payable to the shareholders. This means that the entities responsible for the profits and losses of an enterprise are its shareholders, including state asset operating units, worker collectives, and individual investors. This is a big improvement on simple state ownership. As the collective assets of enterprise workers increase, the proportion of worker collective shares will outstrip other shares. This is a normal development and will not affect the revenue received by the state from taxation and dividends on state-owned shares. If the state deems that a particular enterprise is important and should be brought under control, it may increase additional investment to enlarge the proportion of state-owned shares. By keeping its leading position, the state can directly control, interfere with, and guide the production and business orientations and policies of the enterprises concerned.

## II. Major Contents of Enterprise Reform

On the whole, the major contents of the reform of state-owned enterprises set for the "Eighth Five-Year Plan" can be summed up into the following two tasks: To further readjust and better handle the relationship between the state and state-owned enterprises and to further reform the internal operating mechanism of state-owned enterprises.

The key to the proper handling of relationships between the state and business enterprises lies in the proper handling of interests between the two parties. Although the fundamental interests of the state and the enterprises coincide, contradictions inevitably exist on the question of how much each should get. Since the key to the financial independence of business enterprises lies in the loss responsibility mechanism, it is necessary to start

from the distribution of national income, in straightening out the relationship between the state and state-owned enterprises in income distribution, so that state-owned enterprises will truly have the ability to shoulder the responsibility for losses.

Generally speaking, the primary distribution of national income in the sphere of material production mainly comprises three parts: The first part is that which is handed over by enterprises to the state in the form of taxes and profits. This constitutes an important source of the state's budgetary income and is subject to the unified disposal of the state. The second part is the net income of enterprises which is spent on the enlargement of reproduction and the collective welfare of enterprises and is at the disposal of the enterprises. The third part is distributed to the staff and workers in the form of wages according to the principle of the distribution of personal income. It is the basic source of employees' income from work and is at the disposal of the staff and workers themselves. Only when the three parts are well proportioned can we ensure the normal operation of social reproduction as a whole.

In light of the practice of reform in recent years, we must first get a clear idea of the source of state revenue. With this in mind, an important task of enterprise reform during the "Eighth Five-Year Plan" will be to separate taxes and profits. In our country, the relationship between the socialist state and the state-owned enterprises has a dual nature. The practice of separate taxes and profits will further spell out this relationship in terms of economic mechanism and legal framework and draw a clear demarcation line between the tax revenue of the state as a political power and the value added income of state assets. By differentiating between these two types of income of completely different natures, we can avoid random distribution of interests between the state and enterprises and also avoid major fluctuations in income distribution due to frequent changes in distribution relations. Central to the practice of separate taxes and profits is the need to reduce the existing income tax rate for state-owned enterprises from the present 55 percent to roughly the same level as that which is levied on various types of enterprises in the whole society. This way, state-owned enterprises can truly compete with all other enterprises, including collectives, private, and joint venture enterprises, from the same starting point.

After the introduction of the system of separate taxes and profits, the majority of state-owned enterprises can then operate on the basis of after-tax contracting. The major part of profits retained by an enterprise after the stipulated amounts have been handed over may be used to set up a production development fund, a collective welfare fund, and a staff bonus fund in fixed proportions. The remainder can go to an enterprise risk fund set up in accordance with the principle of financial responsibility to make up for possible shortages with surpluses. Meanwhile, a number of state-owned enterprises with the necessary conditions may be selected to try out the shareholding system.

In order that state-owned business enterprises can assume sole responsibility for their own profits and losses, they must first of all establish their position as the main investment entities. They must make an effort to change the unhealthy situation whereby different enterprises try in every possible way to vie with one another for more projects, investment, and loans, and engage in endless extensive enlarged reproduction. Enterprises should be encouraged to do things with their own money and ensure the rational investment and economic use of funds. With this in mind we must, on the basis of ensuring that enterprises will have the ability to carry out expanded reproduction and will be able to continuously add to their value, increase their accumulation, make self-improvements, and work for their own expansion, introduce the practice of after-tax repayment of loans to increase the self-constraint of state-owned enterprises in their investments.

Tackling the problems of employment and inflation in reform requires the backing of funds and the shortage of funds is an important factor restricting and affecting our economic development. Thus, it is necessary to find a solution to the question of enthusiasm for internal accumulation in the system itself. The core issue is that there must be a system that can encourage all enterprises to try in every possible way to use their own funds on the development of production. Enterprises must be convinced that the new and direct economic benefits this system will bring them and their workers not only will be much greater than the benefits which direct state investment could bring, but will also be much more profitable than the direct transfer of these economic benefits to personal consumption expenditures. Based on this starting point, it is not only necessary for the state to divide the funds retained by state-owned enterprise into three parts and stipulate the ratio between these three parts but, more importantly, it is also necessary to further differentiate, by means of policy, between state investment and enterprise investment, as well as between the additional values created by state investment and those created by enterprise investment. In this way, enterprises can make use of their own funds to develop production and bring more benefits to the collective body and to the individual workers. This will fully arouse the enthusiasm of enterprises for internal accumulation and encourage the enterprise leaders to vigorously develop production and create more material wealth for the society. Meanwhile, steps must also be taken to uphold and improve the system of the separate management of funds. The premise of this system is how state funds and enterprise funds are to be divided. On the whole, all fixed assets and circulating funds used by enterprises prior to the reform should be listed as state funds. Profits retained by enterprises, together with the fixed assets and supplementary circulating funds created by the profits retained and fixed assets created by after-tax repayment of loans and so on, after the granting of more power to enterprises and the institution of the contracted managerial responsibility system, should be listed as enterprise funds. Funds created by the pre-tax

repayment of loans can be divided into state funds and enterprise funds according to the ratio between the state share of income and enterprise retention, which is to be fixed in the light of the current tax rate. The portion entitled to fiscal discount should, in principle, be divided into state funds and enterprise funds in accordance with the ratio fixed by the loan interest rate. In an effort to improve the system of separate management of funds, a clear demarcation line should be drawn between production fixed funds and nonproduction fixed funds. Fixed assets created by state funds or enterprise funds should be tallied accordingly. Lump-sum expenses requiring compensation should be duly compensated and multiple depreciation should be promptly drawn from the income of the enterprises concerned in accordance with the depreciable life and depreciation rate. When depreciation funds are used to purchase fixed assets, state funds and enterprise funds may be increased in proportion to the amounts spent. When an enterprise draws on the major overhaul funds for investment in fixed assets, state funds and enterprise funds may also be increased in proportion to the amounts drawn.

In order that state-owned business enterprises can assume sole responsibility for their own profits and losses, they must grasp their internal reform and concentrate on the proper handling of the relations between the owner, the operator, and the workers. The ties between the three parties should be such that the relationships of responsibility, power, and interests, between the owner and the operator and between the operator and the workers, are spelled out in the form of contract. Thus, the internal reform of enterprises during the next five years should focus on the following three tasks: First, establish the position of the operator and give full scope to his role; second, reform the labor system within enterprises; and third, reform the distribution system within enterprises.

The relationship between the owner and the operator in an enterprise is a multiform contractual relationship. The specific mode of production and operation of an enterprise should be chiefly determined by its owner. The owner should be able to introduce a competition mechanism in the light of the actual needs of production and development and choose the operator through public bidding, direct appointment, or other means. The operator should be able to operate on the basis of commission, contract, lease, or other forms of the responsibility system. State administrative organs at various levels should not have any right to intervene in the operations. The owner and the operator should be on an equal footing in their responsibility, power, and interests, and should exercise their respective rights and duties according to contract terms agreed upon through negotiations. Any party which violates the contract terms or unilaterally cancels the contract already signed should be called to account in accordance with legal procedures. After the conclusion of a contract between the owner and the operator, the day-to-day production and operation activities of an enterprise, including its

supply, production, marketing, manpower, and financial materials should be subject to the unified control and management of the operator. The owner cannot overstep his power and interfere in the operator's day-to-day production and operation activities at will. However, should the owner discover that the operator is indeed unable to fulfill the rights and duties stipulated in the contract, he should have the power to terminate the contract in accordance with the prescribed procedures and hire another operator instead.

The direction of the reform of the labor system within enterprises is to ensure that all workers can, through competition, freely choose occupations with which they are compatible. For this reason, it is necessary to fundamentally eliminate boundaries between different ownership systems, do away with the "iron rice bowl" practice, and allow the free flow of labor. In other words, workers should be free to choose the enterprise they work in and enterprise operators should be free to choose their workers. As a first step, on the basis of fixed establishments and fixed numbers of staff, along with improvements made in the systems of personal responsibility, the practice of internal transfer should be introduced and the practice of on-the-job unemployment should be tried out to ensure that all personnel are working to full capacity. As a second step, transfers within the same trade and the same region should be promoted and workers should be allowed to take up secondary occupations if they can do a good job at their own posts. As a third step, the labor market should be opened on the premise of the establishment of a corresponding social security system and a given percentage of unemployment should also be allowed. In view of the fact that the flow of labor in shareholding enterprises will have its own peculiar characteristics, a set of corresponding policies needs to be worked out. It should be specified that worker collective shares can only express the collective interests of workers. Once a worker joins another enterprise, all links with the former enterprise will be automatically severed and he or she will cease to have anything to do with the former enterprise. Individual shares may be retained by their owners so they can take part in dividend sharing even after they have left the enterprise. The shares may also be transferred to other workers in that enterprise.

The intermediate goal of the reform of the distribution system within enterprises is to let some workers become better off before others through honest work. The idea is to basically overcome egalitarianism in enterprises. As commodity producers, the performance of enterprises is determined by their business. When there is market competition, there are bound to be differences between enterprises in terms of income distribution. Thus, the inequality in terms of the labor put in and the remuneration received by workers with the same skills in different enterprises compels workers to seek jobs more suited to their development through the labor market. This requires that the free flow of workers be allowed. Only when there is competition for labor between enterprises will the income of workers with the same skills in

different enterprises approach egalitarianism. Thus, in terms of orientation, enterprises must be allowed to choose their own mode and standard of distribution in the reform of the system of distribution within enterprises. The state should no longer be allowed to directly intervene in the distribution and should only resort to economic levers to carry out readjustment and control. In shareholding enterprises, the main source of income for workers who have purchased shares should comprise two parts, namely, income from labor, including their existing wages and bonuses, and income from funds, that is dividends on their personal shares, with income from labor constituting the primary source of income. In order to control the consumption fund of society as a whole, the state may formulate income distribution policies to guide distribution within enterprises. Meanwhile, the state should fully bring into play the role of taxation as a lever in its management of distribution in enterprises. In other words, it should abolish bonus tax levied on the basis of work units and improve the present personal income tax in order to realize macroeconomic control over the total personal income of the whole society. The income of the operators should be determined by a shareholders' meeting or the board of directors at the time of recruitment.

### **III. Auxiliary Macroeconomic Reforms Needed in Deepening the Reform of Enterprises**

In order that state-owned business enterprises can assume sole responsibility for their own profits and losses, a range of external conditions needs to be created. On the question of straightening out the relations between state-owned enterprises and the state, attention must be paid to the following two major tasks: First, it is necessary to nurture a healthy market system and introduce a mechanism of fair competition between enterprises; and second, it is necessary to clearly distinguish between the functions of state administrative organs as economic administrators and their unique functions as owners of the means of production in a socialist country.

Nurturing a healthy market system has the following contents: First, a clearly defined market entity; second, a fairly comprehensive range of market functions; third, various markets, in particular the market for production factors, have been developed; fourth, market competition has quite a big role to play.; and fifth, the market can be managed, regulated, and controlled by the state in accordance with the new mode of economic operation. Our aim in nurturing a healthy market system is to ensure that the law of value of the commodity economy and the law governing market supply and demand can play their roles fully and in a sustained way to promote the steady and stable development of social production. Price relations represent the core issue here. Enterprises, as the main players in the socialist commodity market, objectively need a rational pricing system to be able to assume sole responsibility for their own profits and losses. Thus, positive efforts should be made to gradually push forward the reform of the pricing system and the pricing structure around the central task of making

enterprises financially independent. Pricing restrictions on products which are to a large extent subject to market regulation, which are more competitive, and which have a short production cycle should be lifted wherever possible. With regard to those products which are not quite subject to market regulation, which still need to be placed under state monopoly for some time to come, which have a long cycle of production, and which are in serious shortage, it is necessary to deal with each case on its merits and create conditions for the gradual lifting of pricing restrictions. Of course, during the "Eighth Five-Year Plan," and after the establishment of the new economic structure for that matter, it is inconceivable that the state will not exercise any control whatsoever over the market price of all commodities.

One of the functions of state administrative organs is to manage economic affairs. As organs of state power, they must exercise unified management over enterprises of all economic forms and modes of operation. All enterprises must, without exception, pay tax in accordance with the tax types and rates prescribed by the state in a unified way. The state can draw a share of the profits created by enterprises as the owner of the means of production. This is an expression of the special economic relations between the state and state-owned enterprises. Only when a clear demarcation line has been drawn between these two functions of the state will it be possible for us to clearly distinguish between the responsibilities, powers, and interests of the state and the state-owned enterprises and carry out transformation in existing state-owned enterprises. This is our basic standpoint in making state-owned enterprises assume sole responsibility for their own profits and losses and is an important reform task in the days to come.

In order that enterprises can assume sole responsibility for their own profits and losses, the following tasks must be fulfilled:

1. We must gradually institute the system of separate taxation by central and local governments to fundamentally remove closed protectionist policies which stem from regional interests and to break existing monopolies. Revenue turned in by enterprises to the state must be separated into taxes and profits. That is, state administrative revenue as the government and state profits as the owner. The tax portion should be levied in a unified manner by tax organs set up by the central government from the top down, while the profit portion should be separately drawn by state-owned business bodies. The same product produced and handled by different types of enterprises must be taxed by the state according to a unified tax rate. This way all enterprises can compete from the same starting point. As for those trades or products which are deemed by the state to be in urgent need of development or requiring restriction, these purposes can be attained by readjusting the relevant product or value added tax rates. If the state deems that certain enterprises should be given help, it can acquire shares through additional investment made by state asset operating units, rather than through taxation, to help boost

their development. Meanwhile, governments at various levels should: Make full use of the tax lever to regulate the direction of production and development of enterprises; make flexible use of tax increase, tax penalty, tax deferrment, tax reduction, tax remission, and similar means to encourage enterprises to strive for technological progress and the development of new products; promote the production of products in short supply; and restrict the blind development of products in excessive supply.

2. We must fundamentally reform the existing investment structure. The immediate and intermediate goals of the reform of the investment structure are to gradually bring about a shift so that business enterprises, rather than the state, will be the main investment entities. In order to help enterprises become the main investment entities and establish the mechanisms for self-improvement and self-constraint, we must first give enterprises more leeway in the use of funds so that they will have the necessary strength to carry out transformation and accumulation. Second, new additional value created by enterprises through self-improvement and self-accumulation should be tied to the personal interests of their workers. This will give the enterprises the necessary internal drive to continuously carry out new transformation and accumulation. Third, the state should formulate the relevant policies and apply various economic levers to guide enterprises in their transformation and accumulation.

3. We must reform the irrational monetary structure. Bearing in mind the problems left over from the "Seventh Five-Year Plan," we should concentrate on tackling the following two tasks: First, we must replace before-tax repayment of loans by after-tax repayment of loans, hold enterprises responsible for the consequences of the loans they secure, speed up the turnover of funds as quickly as possible, and increase the effectiveness of funds utilized. Second, further efforts must be made to run specialized banks as enterprises so that the banks can correctly predict the credit needs of enterprises in the light of actual production and operation needs. Concrete analysis should also be made on the use of funds by enterprises so that credit demands by enterprise to appropriately increase their circulating funds due to price raises, increased sales, and the need to ensure the state regulation of market stock can be met. This will guarantee that enterprises can make normal progress in production and operation.

4. The state should fundamentally reform the existing planning structure so that it will give expression to the state's macroeconomic development intentions and better guide the development of enterprises in accordance with the laws governing the operation of the socialist market economy. The reform of the existing planning structure should include the contents, formulation procedures, methodology, examination and approval, and implementation of state plans, as well as an assessment after the plans have been fulfilled. In particular, efforts must be made to put an end to the

undesirable phenomena which stem from the preoccupation on the part of all trades and professions across the nation with various planned targets and ensure that governments at all levels, and all economic bodies, can truly pay attention to actual economic results. The development of production and construction in all enterprises should be determined by the enterprises themselves in accordance with state regulated market needs. They should not be required to seek the approval of government planning organs at every level. State plans for macroeconomic development and the necessary intervention should only be used to guide enterprises through the effective regulation and control of the market.

5. We must further improve economic legislation, civil legislation and administration, and draft a set of legislation for maintaining the new economic order in the light of the needs of a growing socialist commodity market economy, so that all owners, operators, and workers can have rules and regulations to go by and can act in accordance with law. Public security and judicial departments and relevant departments that exercise supervisory functions on behalf of the governments at various levels must strictly enforce the laws and defend the legitimate rights of enterprises to ensure the normal progress of enterprises' production and operational activities.

#### IV. The Steps of Enterprise Reform

A. Consolidate and improve the enterprise contracted managerial responsibility system to ensure its gradual development in the direction of standardization.

The key to the improvement of the contracted managerial responsibility system lies in the improvement of the mechanism of constraint. Here, the main considerations should be: First, the performance indicators (fixing the base figure or percentage to be turned in by the enterprise to the state). Second, the stamina indicators (fixing the targets for technical transformation, development of new products, proportion of equipment in good condition, appreciation of state-owned assets, and so on). Third, assessment indicators (the targets for product quality, consumption, fulfillment of mandatory state plans, production safety standards, and so on, to be attained). In addition, conscientious efforts must also be made to tackle the following questions.

1. Concerning the question of rationalizing the base figure for the contracting of enterprises, steps must be taken to promote the practices of separate tax and profits and after-tax contracting. The specific suggestion is: 1) Lower the income tax rate for state-owned enterprises so that the income tax rate for all types of enterprises in society is kept at more or less the same level. 2) With regard to the after-tax profits of state-owned enterprises, a contracting base figure or percentage may be fixed through negotiation in the light of payment for the use of state funds or the practice of receiving dividends on

investment. 3) Implement the system of after-tax repayment of loans and establish a system for the management of state assets to identify the investment entities, clarify property ownership, optimize investment, invest along proper lines, and to ensure that enterprises pay more attention to the returns on their property.

2. Concerning the question of the policy for the distribution of enterprise income, further steps must be taken to improve the contracted managerial responsibility system, continue to impose strict regulations on the percentage of profit retention to be spent on bonuses, and levy regulatory tax on the enterprises or individuals when the enterprise consumption funds exceed a prescribed limit. Excessive income on the part of the enterprise contractors must be checked. It should be clearly spelled out that the additional amounts received by directors should be limited to between 100 percent and 300 percent of the bonus payable to the workers (including floating wage). In poorly managed enterprises, it should be stipulated in principle that without an improvement in performance, the directors will only be paid basic wages and will not be entitled to bonuses. When the performance of an enterprise has improved somewhat, the director's incentive income may be 200 percent more than the average income of workers. It is only when an enterprise has made exceptional achievements, and with the approval of the state, provincial, or city authorities, will it be possible to offer the director a bonus three times higher. This is the only way that the incentive mechanism can produce greater effects.

3. The strengthening of the state's macroeconomic management over the contracted enterprises will be an important task in the days to come. The state should, in accordance with the requirements of the overall goals of economic operation, foster or restrict different enterprises where appropriate and regulate and control the economic operating rules and economic activities of enterprises.

—On the question of taxation, we must: Strictly carry out cost accounting and keep costs under control; ensure that all profits realized by enterprises are truthfully reflected in the books; separate taxes and profits and practice after-tax contracting; readjust the basic profit quotas and profit retention percentage for contracted enterprises so that distribution can be clearly carried out; and we must also make flexible use of the regulatory role of taxation in economic matters.

—On the question of pricing, we must overcome the drawbacks of ineffective macroeconomic control and excessive microeconomic control. Following the lifting of pricing restrictions on the majority of the three categories of small commodities, and the expansion of the range of manufactured goods sold at floating prices, the principle of pricing goods according to market supply and demand should be put into practice step by step. Contracted enterprises should be guided to adhere to the principle of the same set of prices for the same market when wholesaling

their own products. They may not enlarge the differential approved by the pricing departments. With regard to commodities which are sold over large areas, the practice of fixed pricing may be abolished in favor of regional price differentials. Enterprises should be allowed to set prices themselves according to market demand, with the government setting the price ceiling and the minimum price. Systematic steps should also be taken to readjust the pricing structure and put price relations in order.

—On the question of the monetary structure, we must improve macrocontrol over monetary matters and create a suitable financing environment for enterprises. The banks should correctly predict the credit needs of enterprises in the light of actual production and operation needs. With regard to normal demands for funds due to price raises, sales growth, and the appropriate increase of stock, loans for the turnover of circulating funds should be suitably increased to ensure the normal production and operation of enterprises. The banks should step up their participation and infiltration in the operation of enterprises, make concrete analyses of the use of funds by enterprises, adopt various measures to reduce the use of funds by contracted enterprises for the settlement of accounts, and speed up the turnover of funds.

—From the perspective of government administration in general, assessment indicators for the contracted enterprises should only be fixed by the parties extending the contracts and should be clearly stated in the contracts. Targets not specified in the contract should have nothing to do with the contracted enterprises. In their exercise of administrative functions over enterprises, other government departments should adhere to the methods of punishment and reward in accordance with the administrative sequence. Such functions should have nothing to do with the contracts. Rewards to enterprises should not always take the form of bonus. Relevant methods of assessment should be worked out in the light of different situations and different enterprises should be dealt with in different ways.

B. Select suitable enterprises to actively try out the shareholding system and create the necessary conditions for the gradual promotion of this system.

When trying out the shareholding system, we must first of all tackle the question of the internal structure of the shareholding enterprises. Most state-owned enterprises may adopt the "one-enterprise four-systems" approach in their implementation of the shareholding system. This means that shareholding may be constituted by state-owned shares, shares jointly held by worker collectives, shares held by juridical persons in society, and shares held by individuals. The question of dividend sharing must be properly resolved. It is necessary to proceed from actual conditions, find out the rate of profits on funds which has a direct bearing on the input and output of enterprises, and fix the dividend rate for shareholding

enterprises in a scientific manner. The idea is that the dividend rate should not affect the normal revenue of the state and the accumulation and reinvestment needed by enterprises, but can arouse the enthusiasm of the community and the working staff in purchasing shares.

Concerning the transfer of share ownership and the circulation of shares, steps must be taken to further reform the monetary structure with a view to making more flexible use of the interest rate lever. 1) We should gradually enlarge the channels of funds circulation, set up short- and medium-term funds markets, make full use of idle and scattered funds in society and speed up the turnover of enterprise funds. 2) We should increase the varieties and scale of securities in circulation and strengthen management over stock circulation by further defining the stock issuers, the scale of issuance, and the mode of stock circulation. 3) Since a number of well-trained and competent managers and dealers will be needed with the formation and development of the capital and stock markets, we must lose no time in stepping up the popular dissemination of the relevant knowledge and the training of specialized personnel. 4) To meet the needs of the capital and stock markets we should draft the relevant legislation and establish corresponding enforcement organs step by step.

When trying out the shareholding system, we should also conscientiously implement the solvency law and practice the merger system. In the meantime, a labor market should also be established to ensure the rational flow of labor following the closure of enterprises due to bankruptcy. In this way, the socialist principle of from each according to his ability can be truly realized. With this in mind we must, first of all, recognize the short-term unemployment of a part of the labor force and establish and improve well-managed and graded manpower exchange markets and job agencies. Second, we must ensure that employing units and workers will both be able to exercise their choice and have a role to play. Third, in keeping with the reform of the labor and employment system, we must make positive efforts to explore other forms of social security systems.

### **Industrial Product Quality Seen Increasing**

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15 Oct 90 p 1

[Unattributed article: "Proportion of International Standards Used by China Reaches 39 Percent"]

[Text] There are all sorts of standards to judge product quality, just as in sports competitions there are world records, intercontinental records, and national records. So on what level are China's standards? This reporter has learned from the State Technology Supervision Administration that because China vigorously pursues international standards and foreign advanced standards, in the more than 16,000 state standards that have been set, the proportion of international standard it uses is increasing year by year and has now reached 39 percent.

A strict standard is the "judge" that tests product quality. Its thorough implementation plays an extremely important role in making the economy prosper, promoting scientific and technological progress, improving product quality, developing international trade, and safeguarding consumer interests. In the past the work on standards was limited to only one category, namely, an enterprise's product management; it is now gradually spreading to its production management, technology management, and operations management.

In recent years China's adoption of international standards has promoted the development of many industries. For example, in the electronic industry there are 1,364 national standards and 3,803 industry standards, of which 80 percent meet international standards. Thus, there has been a big improvement in the quality of electronic products, and a fairly rapid increase in their foreign trade. In 1989 the export value of electronic products was \$2.76 billion, representing a 112 percent increase over that of 1987. The "comprehensive standards for color television" for color television sets comprise eight aspects, including the set as a whole, parts, components, and craftsmanship. These standards form a complete system for insuring product quality. After the international standard of the "(Bayes) method of testing and verifying color television set reliability" was put into practice, in one year there can be a saving for the state and the enterprises of 10 million yuan in test costs, 5.5 million kWh of electricity, and 700,000 man-hours of labor. The setting of standards for the components of color television sets has raised the proportion of components made in China to 80 percent, and the average working time without a breakdown for a color television set is 40,000 hours.

Lu Shaozeng [7627 4801 2582], deputy director of the State Technology Supervision Administration, disclosed that it has become a general trend in the world to adopt international standards in order to take part in commodity competition on the international market and to reduce the number of technological barriers caused by not meeting international standards. From now on, in the state's selection of the best, the work of enterprise standardization will be an important indicator for assessing the selection. The relevant departments will, drawing lessons from the advanced management methods practiced by foreign countries, authenticate the quality of an enterprise's products by sticking labels on them, thereby allowing the consumer to select and buy commodities with assurance.

### **PROVINCIAL**

#### **Ethnic Minorities Help Boost Southwest Economy**

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[Text] Nanning, November 28 (XINHUA)—"It is people from the neighboring Guangxi Zhuang Autonomous Region who have helped our plant turn over a new

"leaf," Li Zhilin, a factory director of the Wangmo County Sugar Refinery in Guizhou Province, said.

The factory in the Bouyei-Miao Autonomous Prefecture of Qianxina was built in 1985 with a total investment of 7.9 million yuan. Most of its employees are from the Bouyei and Miao ethnic minority groups.

According to the 42-year-old director, his plant had always been in the red as a result of poor management and a shortage of technology.

"Since we did not know what to do about it, the Bose City Sugar Refinery in Guangxi which is very advanced in the area lent us a helping hand.

"The technicians of the Zhuang ethnic group took us in hand and taught us how to operate machines and improve management. The result, a five-fold increase in the refining capacity to 200 tons per day. We are all very grateful to them," the director said.

When the technicians prepared to go home, as was scheduled, all the Wangmo sugar refinery employees urged them to stay.

This is one example of the cooperation among ethnic minority groups in southwest China under the principle of equality, mutual benefit and joint development, an official of the Guangxi Zhuang Autonomous Region said.

Covering 2.6 million square kilometers, southwest China consists of Yunnan, Guizhou and Sichuan Provinces, and the Tibet and Guangxi Zhuang Autonomous Regions. About four fifths of China's 56 ethnic groups have members in this area which abounds in minerals, waterpower, forests and other natural resources.

Although the economy of these provinces and regions has developed rapidly since the founding of new China in 1949, it still remains backward in comparison to the coastal areas. This backwardness is due in part to history and regional barriers.

In 1984, the five provinces and regions, as well as Chongqing, China's most populous city in Sichuan Province, jointly established an economic coordination association to carry out trans-regional economic cooperation.

In 1988, Tibet, which still had untouched reserves of high quality chromite, cooperated with Guizhou Province to build its first ferrochrome refinery.

Ma Lisheng, vice-chairman of the Tibet regional government, said, "The trans-regional cooperation has helped us solve a long-lasting problem (concerning the utilization of these reserves)." Now the region provides Sichuan Province with more than 10,000 tons of ferrochrome and borax each year.

Dao Guodong, a Dai and governor of Yunnan Province, has called on different ethnic groups to bring into play their initiative to tap the local resources with the support of the state.

According to preliminary statistics, the five provinces and regions, as well as Chongqing City, have completed 9,275 cooperative projects over the past six years. About one half of these have been put into operation.

In addition to jointly holding an annual grand fair with the volume of business topping 50 million yuan, this group has set up 82 trans-regional cooperative organizations and 56 enterprise groups. These groups aim to learn from each other's strong points so as to offset their own weaknesses. In this way, they work to boost economy together.

For example, Yunnan, known as one of China's cigarette producers, is helping Guizhou, Sichuan and Guangxi to upgrade their cigarette-making technology. Guizhou and Yunnan have raised their per unit yield of rice by introducing farming skills and improved seeds from neighboring Sichuan Province.

Chongqing City has taken advantage of its own technology and funds to form a cooperative project with Guizhou. The goal of the project is to build a steel plant that will produce special steel products in Guiyang, the capital of Guizhou Province. In return, Guizhou, which is endowed with coal deposits, now provides Chongqing and Guangxi with coal every year.

The past six years have seen the five provinces and regions, and Chongqing, build 38 trans-regional highways and open 78 bus service routes.

The construction of a railway running from Nanning, the capital of Guangxi, to Kunming, the capital of Yunnan Province, via Guizhou Province is well under way. The rail line is scheduled to open for service by the end of this century.

According to Zhang Mingtao, research fellow and team leader of a survey on southwest China's natural resources under the Chinese Academy of Sciences, the trans-regional development of southwest China will greatly help this area become the production base for the county's metal, iron and steel, and phosphate chemicals industries.

## FINANCE, BANKING

### Pudong Development on Shanghai Stock Exchange

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[Article by Zheng Shao (6774 7300), affiliated with Economics Institute of the Shanghai Academy of Social

Sciences; Yun Yan (0061 7159), responsible editor: "The Impact of the Development of Pudong on Shanghai's Stock Market"]

### [Text] I. The New System in Pudong Is Presenting a New Opportunity To Develop Shanghai's Stock Market

Shanghai's stock market is a result of the deepening of economic reform. Pudong's development and opening up to the outside world is presenting a new opportunity to develop Shanghai's stock market.

This opportunity has arisen in Shanghai because of the special policies granted to the new Pudong Zone, which are different from those currently in effect in the rest of Shanghai. The new system of economic operations determined by these special policies, will be able to provide a suitable environment for the development and growth of Shanghai's stock market.

The policy system for the new Pudong Zone is going to be a process of gradual improvement. Based on current policies and principles, certain SEZ and EDZ policies will be in effect in the new Pudong Zone, to make it so-called "special without being particularly special." These policies are fairly well detailed in the ten policies which have already been announced, as well as in certain new special policies mentioned by Shanghai Mayor Zhu Rongji in Hong Kong. According to my understanding, these policies are intrinsically special in that they will lead to the establishment of a predominately market-oriented economic system which is open to the outside world, and is both obviously different from the structure that relies mainly on planning while making market forces subsidiary, and also different from the economic system in which planning and market forces are combined but not prioritized. The diversified economies of the SEZ's which were set up some years ago, including both foreign and domestic private economic components, have carried out competitive production and management aimed at markets within limited administrative jurisdictions, which has brought about spectacular economic growth successes in these zones. Although the administrative divisions in the EDZs are not as clearly demarcated as those in the SEZ's, EDZ enterprises have still had the same full decisionmaking power to engage in market-oriented economic activities. Of course, the basic overall economic goal of both the SEZ's and EDZ's has still been to develop socialist productive forces. This was the state's basic policy in exercising macroeconomic guidance in SEZ's and EDZ's. This predominately market-oriented economic formation, which is subordinated to socialist production objectives and practiced within limited administrative jurisdictions or restricted policy limits, might as well be called a "limited market economy." These special economic zones, which are located in various areas in the PRC, and are interdependent and coexistent with ordinary economic zones in a "checkerboard" fashion, vividly depict a pattern of planning combined with market forces. The experience gained from their successes and

the lessons learned from their faults, have greatly enriched the theory and practice of socialist commodity economy.

In order to narrow the subject matter of this article, I do not intend to set off a discussion here on "limited market economy." The crucial issue that I want to emphasize here is, as Pudong is going to have basically the same special policies as SEZ's, such as Shenzhen and Xiamen, and is going to further establish a free trade industrial zone aimed at making it a free port, it is going to be a new type of economic zone, which will combine SEZ and EDZ features while having more economic freedom. As Pudong will undoubtedly also have to have a "limited market economy" structure, and even a "free market economy" in some areas, I think that these new features are precisely why it may be called a "new type of zone." All of this means that the projected rapid development of a sizable market economy system in the zone closest to Shanghai's economy, which has a deep-rooted system of central planning and still must strictly follow and rely to a great extent on planned management, is equivalent to dramatically pushing an experimental combined planning and market system onto the reform stage spotlight. Although this experiment implies a certain amount of potential risk of conflict and collision for Shanghai's overall economic prospects, even more valuable is the growth opportunity which it provides, including many key policy factors urgently needed for the realization of Shanghai's economic modernization.

### II. A Shareholding Economy Should Be Developed To Expand The Primary Market

The opportunity presented by the development of Pudong will have the following especially great impacts on Shanghai's stock market:

1. It will provide the theoretical or logical rationale for the existence and development of Shanghai's stock market. As it is common knowledge that a stock market is a product and nerve center of a mature and developed market economy, it is generally regarded as the epitome or proof of a market economy. As the motivation for raising money to set up shareholding companies is market demand, stock sales are geared to capital markets, and stock transactions are necessarily dependent on market exchange activities, overall stock market forces are thus infused with a market spirit, which is obviously opposed to the intrinsic attributes of a planned economy. It is only after the combined central planning and market forces reform has emphasized market forces, and once the related shareholding enterprise experiments have begun to flourish, that the public sale and legal trading of stocks can occur and a limited stock market can be formed. As long as reform emphasizes a balance of fluctuation between central planning and market forces, a market-oriented stock market is bound to lose its motivation, stagnate, and sag. This is the basic reason why sales on Shanghai's stock market have essentially stopped and fallen into an indifferent slump. On the other hand, the reason why Shenzhen's stock market has

grown steadily (having stock sales of 250 million yuan, or 10 times that of Shanghai), and its market forces have gradually expanded, is that it has profited from the continued steady development of a "limited market economy." The large-scale opening up of a stock market under Shanghai's current system, will have a joint impact on a whole series of planned management parameters, by changing and restructuring the interrelated management system all the way from the central government to localities. The consequences of this will be hard to either anticipate or bear. Thus, even though Shanghai's stock market and shareholding system experiments have been allowed to exist, they are merely like trees planted temporarily in flowerpots for display, which are not allowed to take root in the ground, multiply, or affect the economic environment. The very existence of a stock market depends on a sizable market economy system for the soil in which to take root and mature. Putting a "limited market economy" into effect in the new Pudong Zone under a whole set of policy guarantees, will provide a logical and ideal economic climate with which to overcome these defects and thus, enable the development of Shanghai's stock market to break free from theoretical implications;

2. The huge investment needed for the development of Pudong, will create an immediate urgent demand for the development of a stock market, and of market sales in particular. The investment needed for the mature development of the 350-sq-km new Pudong Zone, will reach the astronomical figure of tens of billions of yuan. Neither the state, enterprises, or foreign investors will be able to undertake this whole investment on their own, but a combination of all three will be needed to meet the investment need. Moreover, society must be mobilized to take part in the funding for the development of Pudong. The development of Pudong is, in the final analysis, the people's own business. Although participation by the state and enterprises (both state-owned and collective) basically represents the people's wishes and interests, it is an indirect form of participation. Allowing the people an appropriate means to directly invest part of their income in the construction of Pudong, would greatly increase their sense of participation in the development of Pudong, and arouse their initiative in a way which indirect investment could not. The policymaking sector should give full consideration to this point.

The 500-billion-yuan of bank savings and 200-billion-yuan of cash on hand among urban and rural residents throughout the PRC, gives a clear impression of the huge amount of available social funds. Shanghai has 24 billion yuan of bank savings, which increases almost 1 billion yuan a month. Not being able to have a cause and effect relationship between the tendency to withdraw this credit from circulation, and profit growth produced by productive and commercial loans is a huge waste of social wealth. The huge amount of money needed to develop the new Pudong Zone, which is aimed at external markets, presents broad prospects for releasing relatively stagnant bank funds, so that they can

stop "idling" and become productive, commercial, and financial capital. Moreover, absorbing and turning part of the people's cash on hand into capital, would help not only to absorb capital, but also to ease the potential pressure of inflation.

The two major normal ways of raising social funds locally are selling bonds and stocks. Although selling bonds (local government and enterprise bonds), with higher interest rates than those for the same period on bank savings and repayment of capital with interest when mature, is generally the easiest way for most people to accept, it makes high demands on sellers' credit and repayment capability, because it is a method of financing for a particular period of time (generally less than five years for enterprise bonds), which should be used only by units with good credit. Whereas in comparison, raising funds through selling stocks has the following three outstanding advantages: 1) money raised by selling stocks is long-term capital which enterprises can control permanently; 2) as stock investors can expect dividends based on enterprise profits, and dividend rates are generally lower than savings interest rates for the same period, fundraising costs are lower than those for bonds; 3) as stock market prices can increase along with the rise in net worth of enterprise assets, stocks are favored by investors in negotiable securities. It is thus obvious that selling stocks is a good fundraising tool, which should be popularized and utilized.

Therefore, the issue further evolves to one of a shareholding system, because an enterprise which publically sells stocks throughout society is certainly a limited shareholding company, which is a major form of shareholding enterprises. Relations involving the transition to shareholding and privatization are still unsettled theoretical issues which, ultimately, cannot be resolved through academic discussion. The following facts should be emphasized here: shareholding enterprises are continuing to gain acceptance and develop in specially designated zones; having the state or collectives hold the majority of shares in these companies, is an effective way of preventing enterprise privatization. This shows that the privatization trend in state-owned enterprises can be restricted through technical means. Going back a step, if an enterprise is established totally through selling stocks to the public, but its stock distribution and percentage of individual stockholders conform to the standards of stock popularization and restriction of dictatorship by a major stockholder, it should then be considered a privately owned but jointly-managed "collective" enterprise, or an intermediate form somewhere between a private and collective enterprise. This form should be more advanced than a private enterprise, and also more rational and legal than the enterprise form of being public in name but private in reality, or pretending to be public but acting as if it were private, which is prevalent in certain areas. If it is said that these shareholding enterprises should not be allowed to exist and grow in an economic system which combines central planning and market forces because they might become too powerful,

why then cannot they be allowed to develop within a limited market economy system, so that they can compete with private capitalist enterprises, Sino-foreign joint ventures, and even state-owned enterprises, in order to promote economic development? I think that as to theory, policy, and real necessity, the enterprise form of limited shareholding companies should be allowed to legally exist in the new Pudong Zone. These shareholding enterprises could also take other forms, such as Sino-foreign or private joint ventures. Being somewhat different in form from either state-owned or private enterprises, they could become the enterprise complex that is most directly cared for and supported by the masses, and thus help not only to attract investment and arouse the masses' sense of participation and construction initiative, but also to promote enterprise reform, raise enterprise quality, and spread out the burden of risk which accompanies development-type investment, as high-risk industries are usually aimed at earning high profits. Their successful development and operation will enable public investors to share in their profits, which will further promote steady advances in their industrial standards.

### **III. The Secondary Market Should Be Developed To Promote Economic Growth**

As stated above, further development of shareholding enterprises should be synchronized with the expansion of Shanghai's stockmarket. Moreover, increasing the types and volume of publically sold stocks are corresponding steps which should be taken to develop the stock market.

As the stock market was set up to meet the objective need to transfer stocks which had already been sold, it is naturally a "secondary market." Although the capital market evaluation of various sales companies which the sales or primary market is mainly concerned with, and the determined quality of sales achievements based on its evaluation, have a very limited impact on the overall economy, the frequent and unpredictable circulation of the huge investment in negotiable securities among different stocks on the secondary market that is caused by a combination of many complex factors, not only objectively evaluates and determines the social impact of various sales companies, but has even greater roles in or effects on socioeconomic activity. The following roles or effects of the secondary market can be projected in the development of Pudong:

1. A faster increase in the number of companies which sell stocks to the public: Companies which are well-run and conform to sales stipulations can begin business on the stock exchange, and those which win better reception on the stock market will enjoy better prestige, which is the most valuable invisible asset in commercial circles. In order to win this asset, increasing numbers of enterprises must be encouraged to join the ranks of companies that engage in the business of selling stocks to the public. This will promote the growth of a shareholding economy

in the new zone, while further expanding the basic possibilities for Shanghai's stock market development.

2. Fund financing and emergency regulation: Not only can individual stockholders carry out emergency regulation by buying and selling stocks on the stock market as the occasion demands, but enterprises which have reserves of their own or other companies' stocks can similarly finance funds by buying and selling large amounts of stocks to gain the particular benefits that they need. Although corporate transactions have not yet been opened up on the current Shanghai stock market, enterprise participation in stock market transactions is either going to be imperative after Pudong's shareholding economy begins to take shape, or fund financing through the stock market will be impossible.

3. The motivation for a better deployment of funds and resources: The market in the highly-opened new Pudong Zone will throb in close coordination with the changing pulse of the world market. On one hand, as market orientation will frequently provide various regulatory demands on enterprises within Pudong, enterprises will be forced to conscientiously readjust their deployment of funds and resources. On the other hand, as it will be impossible for individual enterprises to avoid all mistakes and setbacks, competition will regularly make the choice as to which enterprises are the best and which should be eliminated. The positive role of a stock market is to enable enterprise stocks to change hands at fair prices and thus, provide a simple and convenient means of transferring funds, equipment, or property rights between providers and consumers. This will reduce stockholders' losses to the minimum, while optimizing the disposition of resources and thus, prevent wasting of funds and resources, and improve socioeconomic efficiency.

4. The sharing in the benefits from the development of Pudong and the maturity of enterprises among stock investors: A standard stock market will give stock investors equal investment and profit opportunities. As legal stock investment with mass participation will increase the knowledge of money management and financial consciousness of the masses, results in this area are an essential social prerequisite for the reestablishment of Shanghai as a banking center. If the development of Pudong achieves overall success, and investors' investment options and portfolio compositions are appropriate, stock investors, and Shanghai investors who invest sizeable amounts of money in Pudong in particular, are bound to win greater economic and social benefits from the development of Pudong and the maturity of enterprises. Moreover, it is of extreme importance to the development of Pudong and the reinvigoration of Shanghai that Shanghaians gain real benefits from the development of Pudong.

5. The perfection and development of Shanghai's stock exchange: Although a stock market which is just beginning to be established will necessarily handle mostly national treasury and other bonds because it is too

limited in scope, the representativeness, sensitivity, and clarity that it expresses as the soul of a negotiable securities market in reflecting economic and even noneconomic social conditions, is unparalleled and irreplaceable by other negotiable securities. The development of Pudong resulting in the rapid expansion of Shanghai's stock market to more than 20 types of stocks on the market with a combined worth of over 1 billion yuan, would greatly advance the timetable for the perfection and development to maturity of Shanghai's stock exchange.

#### IV. Issues and Suggestions

Although it can be seen from the above analysis that Shanghai should seize the opportunity of the opening up to the outside world and development of Pudong to vigorously expand its stock market, the following issues should be considered carefully so that appropriate policies can be set:

**1. The purchase of stocks in Shanghai's "old enterprises" by foreign investors:** These so-called "old enterprises" seem to refer to large- and medium-sized state-owned enterprises with sizable assets and long histories. If this supposition is correct, the idea could be translated as the upgrading of certain state-owned enterprises into Sino-foreign joint venture shareholding enterprises, with the participation of foreign stockholders, in order to speed up the upgrading of state-owned enterprises. This would be a bold and pioneering undertaking for the PRC. The following issue needs to be clarified: Would these enterprises become partnerships in which both the Chinese and foreign parties hold particular amounts of stock, or shareholding companies in which original assets are distinguished from stocks sold after the shareholding system is initiated? If they became partnerships, the division and transfer of property rights could be resolved through face-to-face talks, without involving the stock market. If they became shareholding companies, all of their assets should be converted into stocks, which must be able to change hands on the stock market. The issue here is whether foreign investors should become directly involved in our domestic stock market.

**2. The purchase of stocks by foreign investors:** According to the wishes of Shanghai enterprises, the expressed intentions of foreign investors, and the practice of individual companies in Shenzhen, domestic companies should not be allowed to sell stocks directly to foreign investors. Although this is the practice in many developed countries, others, such as Japan, have always allowed the direct purchase by foreigners of Japanese stocks under strict restrictions. It was only in 1990 that South Korea finally permitted indirect investment in its stock market in the form of "mutual aid funds." Taiwan has allowed foreign and overseas Chinese investors to develop indirect connections with its stock market through buying beneficiary certificates sold by the only "International Negotiable Securities Trust and Investment Corp" in Taiwan. Although these countries and regions have more developed economies than Mainland

China, and have accumulated much experience in international banking and stock trading, their legislation still strictly guards against direct control by outside forces of their national or regional economies and thus, the possibility of any outside influence or manipulation of their stock markets or interference in their overall economies. In comparison, as China is an undeveloped country which has been open to the outside world for a very short time, our limited economic strength and rudimentary stock market are unable to withstand the tricks and trouble that would be stirred up by large amounts of international capital. Thus, even though the method of selling enterprise stocks to attract direct foreign investment is very appealing, the interests of our overall domestic economy can certainly not be allowed to be superseded by those of individual enterprises, and direct investment in domestic stocks should still not be opened up to foreign investors. The indirect method used by Taiwan deserves conscientious study for reference. This principle should be relied on to deal with the above-mentioned issue of the formation of stock partnerships between foreign investors and Shanghai's old enterprises. The same spirit is also suited to Sino-foreign shareholding corporations, in which the printing and distribution of stocks by foreign investors should also be through indirect participation.

**3. The issue of stock appreciation:** The major reason why Shanghai's existing stocks pay high dividends but are still unattractive, is that their value cannot rise along with increases in the net value of company assets (as reflected by steady increases in the number of shares on the stock market). This is also a key area in which Shanghai's stock market is abnormal. Companies which sell stocks to the public in the new Pudong Zone, obviously must allow their stockholders to rationally and legally enjoy these proper rights and interests.

**4. Tax policy:** Differential tax rates should be used to collect income taxes on dividends, bonuses, and stock exchange income. The aim of this is to coordinate them with the preferential industrial policies in the new zone, and harmonize as much as possible the development of a shareholding economy with industrial structure objectives.

**5. The issue of negotiable securities traders:** The development of Shanghai's stock market is bound to increase the demand for more and better negotiable securities traders. Without an appropriate number of negotiable securities traders (such as negotiable securities companies and agencies) to provide up-to-standard, convenient, and quick services, a stock market does not have a basic system of operation. Close attention should now be paid to drawing up relevant legislation to encourage a considerable number of qualified negotiable securities traders to emerge and become stock market members, compete with each other on a common and equal basis, and attract customers with their prestige and

quality of service. Thus, we should consider the possibility of allowing the existing units which manage negotiable securities to break away from their parent organizations (such as banks, and trust and investment companies) and become independent corporations. This is an essential step to eliminate unfair competition, and prevent the use of savings deposits or trust funds to engage in private negotiable securities transactions which infringe on the interests of savings depositors or trust fund investors;

**6. The stock market management system:** Shanghai's stock market, which is expanded because of the opportunity presented by the development of Pudong, should be able to gain footholds on the banks of both the Huangpujiang and Changjiang rivers, use Shanghai's economy as a fan for domestic and foreign radiation, win the trust of vast numbers of customers in the area which it affects through good service and thus, naturally become the key market in a regional stock exchange. In this respect, it must combat the trends of parochial arrogance, complacency, and conservatism, while resisting the arbitrary commands of "imperial envoys." The management system for Shanghai's stock market should draw lessons from ripe foreign experience, while giving full consideration to Shanghai's own experiences and characteristics. Shanghai's future structure is going to be one in which two different economic systems coexist in Pudong (East Shanghai) and West Shanghai, and its stock market will have to encompass both of these systems, which is going to be like a very difficult chess problem. All concerned circles in Shanghai should have confidence in their ability to run Shanghai's stock market well. Thus, the municipal government should take the lead in forming a Shanghai Negotiable Securities Management Commission, to be composed of administrative and business figures, such as bankers, financiers; tax, negotiable securities, and legal experts; and accountants, to be given full powers and responsibilities, guided by relevant central government policies, for tasks, such as planning and managing Shanghai's stock market. There is an urgent need to rectify the current deviation among concerned parties to crave for the opening of a stock exchange, while neglecting overall planning, perfection of a market structure, and relevant legislation.

#### Shenzhen Stock Market Experiences 'Panic Buying'

OW2611174890 Beijing XINHUA in English  
1449 GMT 26 Nov 90

[Text] Shenzhen, November 26 (XINHUA)—Following the elimination of the illegal stock exchange in Shenzhen November 20, the city's transaction volume of securities each day has increased from several million yuan (five yuan equals about one U.S. dollar) to dozens of millions of yuan.

The transaction volume makes up one percent of the total securities issued in the city.

Although the price increase of securities has been curbed, more and more dealers have been purchasing in recent days, despite the efforts of the government of this south China special economic zone to slow down the panic buying.

## INDUSTRY

#### Chemical Industry Output Shows 'Steady Growth'

91CE0075D Beijing JINGJI RIBAO in Chinese  
12 Oct 90 p 1

[Article by Fan Yong (2868 0516) and Xie Qing (6200 7230): "Steady Growth of China's Chemical Industry Production—Five Percent Higher Than in Same Period Last Year"]

[Text] Since the beginning of this year there has been a steady growth in production of China's chemical industry. From the first through the third quarter, the gross output value of the chemical industry was 56.3 billion yuan, representing 75 percent of the annual struggle goal and a five percent increase over that of the same period last year, and being higher than the average increase in China's industry as a whole.

In the output of the 16 main chemical industry products listed in the state plan, in 15 of them 75 percent or more of the annual plan was fulfilled, and 12 of them increased output in comparison with that in the same period last year. The country produced 68.18 million tons of chemical fertilizer, a fulfillment of 78.4 percent of the annual plan and a 6.5 percent increase over that of the same period last year. It produced 172,000 tons of agricultural chemicals, an 11 percent increase over that of the same period last year.

This year the chemical industry's production, like the production of other industries, encountered major difficulties, for example, the market slump and the situation in which some products sold slowly and were seriously overstocked, which caused a tight supply in funds. However, the great number of chemical industry enterprises conscientiously got a good grip on the readjustment of the product mix, on the saving of energy and the reduction of consumption, and on the painstaking organization of production, thereby causing chemical industry production to maintain a steady growth. In the first half of this year, except for January, the output value per month increased six percent or more compared to that of the same period last year. In the third quarter, although the output value was a little lower than it was in the first half of the year, it still respectively increased per month 2.7, 4.1, and 3.1 percent compared to the figures for the same period last year.

Although certain successes were achieved in chemical industry production, the economic returns did not totally meet people's expectations, and the fulfillment of the chemical industry's annual production is still a formidable task. Chemical Industry Minister Gu Xiulian

[7357 4423 5571] recently called on all chemical industry departments and enterprises conscientiously to strengthen leadership over production, to persist in dispelling anxieties and resolving difficulties at the basic level, to develop new technologies and new products, to try to save energy and lower consumption, to improve product quality, to get a tight grip on readjustment of the product mix, and to boost market sales.

### Textile Ministry Revokes State Titles

91CE0075C Beijing ZHONGGUO FANGZHI BAO  
in Chinese 1 Oct 90 p 1

[Article by System Restructuring Department, Ministry of Textile Industry: "Textile Ministry Gives 'Red' or 'Yellow' Light To a Small Number of State-Class Enterprises"]

[Text] The other day the Ministry of Textile Industry issued a circular notice announcing the removal from three enterprises of the title "State Second-Class Enterprise," and at the same time the flashing of the "yellow" warning light to 18 "State Second-Class" enterprises, allowing them to keep the title but giving them a deadline to make corrections.

The State-Second Class enterprises that had their titles removed were the Dandong Jute Printing and Dyeing Mill, Haian County Jute Mill, and Jining Jute Mill.

At the present time, in the textile industry system 323 enterprises have won state first class or second class titles. To consolidate the results of enterprise upgrading and to promote the constant improvement of enterprise management, the focus of this year's upgrading work by the Ministry of Textile Industry was put on reexamining the state-class enterprises that were given this title in 1988. On the basis of enterprise self-examination and regional examination, the ministry in March and April sent specialized contingents to conduct a strict reexamination of some state-class enterprises in 10 provinces, autonomous regions, and municipalities, namely, Shanghai, Jiangsu, Liaoning, Shandong, Hubei, Hunan, Guangxi, Zhejiang, Jiangxi, and Shanxi. The results showed: After the great majority of enterprises won the advanced title, they were faced with the unfavorable circumstances of a market slump, a shortage of raw materials and funds, and a tight supply of energy. They enhanced their internal management and took measures to overcome difficulties, thereby maintaining the standard required of a state-class enterprise. Of the enterprises 20 percent were able, under the driving force of new targets, to seek survival by quality and to demand results from management, thereby markedly raising the level of management. For example, the Wuxi No. 2 Cotton Mill, upholding the operating policy of "in variety create special features, in quality seek results, and in competition promote development," from first to last puts the improvement of quality in first place. Closely centering on raising the levels of variety, grade, and quality, it makes a point of advancing technological

progress, strengthening distribution mechanisms, concentrating energy, and tapping potential. It takes the path of operating the mill in line with the special features of an enterprise. In 1989 this mill won the State Quality Management Award, the output value rate of its nationally rated fine products reached 51 percent, and topped the list of taxes on profits of all the same kind of mills in China.

However, during the reexamination it was discovered that in a small number of enterprises the title did not match the reality. The main problems were: The work of upgrading was not correctly understood. Radical measures were not taken to attain goals, and the goals were set mechanically. Management was not truly strengthened, causing a drop in product quality, a rise in materials consumption, and successive failures to attain goals. Within an enterprise there were weaknesses in on-the-spot management and in basic management. In addition, because of slack management not enough effective measures were taken and serious accidents occurred in production. It is said that in the textile industry this was only the first case of removing advanced titles in enterprise management and of publicly naming the enterprises concerned. The circular notice called on all places, in upgrading enterprises, to enhance management, supervise on a regular basis, make inspections, and upgrade in a solid fashion, so that upgrading becomes an effective measure for enhancing enterprise management and improving enterprise quality.

*Editor's afterword: The objective of appraising an enterprise as excellent and upgrading it is to promote the development of the enterprise and to accelerate the growth of its beneficial results. However, the behavior of some enterprises after being upgraded is quite different from what it was before they were graded. At the beginning they get a tight grip on basic management and vigorously promote economic results. In the enterprises there are double growth and double savings, and output rises year by year as the enterprises truly flourish for a while. However, after they gain honor, their management slackens, materials consumption rises, and results fall off, as a consequence of which they land in the awkward plight of being demoted. Of course, we do not rule out changes in objective circumstances. However, in year after year of difficulties and in the face of handling one different person after another, some enterprises are able to pass the test while other enterprises slide downhill, showing the importance of man's subjective initiative. Today the Ministry of Textile Industry has given the red or yellow light to some "straggling" enterprises, and has broken free from the "tenure system" in its appraisal of the best enterprises, thereby spurring these enterprises to make a comeback and promoting the constant raising of the level of management in the entire industry—all of which will play an important role.*

**Textile Ministry To Readjust Management Methods**

*91CE0075B Beijing JINGJI XIAOXI BAO in Chinese  
6 Oct 90 p 1*

[Article by Liu Bo (0491 3124): "Ministry of Textile Industry To Manage in Keeping With Cotton, Wool, Chemical Fiber Production Capacities"]

[Text] In three large-scale production capacities—cotton spinning, wool spinning, and chemical fiber making—to overcome blind growth and the situation created by shortages in textile raw materials and by the drop in product quality, in line with demands made by the State Council, beginning within the next few days the Ministry of Textile Industry will manage planning, building, and scrapping in keeping with the three large-scale production capacities.

The ministry has issued a notice saying that the State Council has encouraged it to carry out unified programming, unified planning, and unified management in keeping with the production capacities of cotton spinning, the obtaining of chemical fiber raw materials, and the reeling of raw silk from cocoons. From now on, with regard to the examination and approval of construction and transformation projects for the three large-scale production capacities of cotton spinning, wool spinning, and chemical fiber making, no matter what the subordinate relationships, investment environment, or form of ownership, without exception all textile departments and bureaus in the provinces, municipalities, and autonomous regions are, after collecting cases of the first instance together with the local planning commissions, to report them to the Ministry of Textile Industry. After the ministry has checked them and formed its opinion, it will examine and approve the jurisdiction and procedures for each project separately. No other department, unit, or individual has the right to examine and approve new "three large-scale capacities projects."

With regard to the transformation, renewal, or elimination of old cotton spinning, wool spinning, and chemical fiber making equipment, they should be scrapped or handled in strict accordance with the Ministry of Textile Industry's regulations, and they must not be transferred, spread out, or kept on for any reason or under any name.

**Transportation Improves in Seventh 5-Year Plan**

*OW1911155590 Beijing XINHUA in English  
1514 GMT 19 Nov 90*

[Text] Beijing, November 19 (XINHUA)—China made rapid progress in the improvement of transportation and telecommunications during the country's Seventh Five-Year Plan period (1986-1990).

The State Statistical Bureau reported that by the end of 1989, 53,187 kilometers of railways were in service. China constructed over 2,539 kilometers of double-track

railways in the first four years of the period to bring the total mileage of double-track railways to 12,528 kilometers by the end of 1989.

Experts say that the increase of double-track railways has helped to ease China's shortage of transportation capacity.

In addition, China had 6,372 kilometers of electric railways by the end of 1989—an increase of 3,073 kilometers compared with 1985. Another 852 kilometers of such railways are expected to be completed in the by the end of this year.

Meanwhile, the country also greatly improved the quality of highways and waterways facilities.

The total value of telecommunications service reached 6.48 billion yuan last year, an increase of 118.9 percent over 1985. At the same time international telephone service was increased by 400 percent, while the capacity of city telephones was doubled over a four year period.

**Increase Projected in Shipbuilding Production**

*HK1611005890 Beijing CHINA DAILY in English  
16 Nov 90 p 2*

[By staff reporter Chang Weimin]

[Text] Senior shipbuilding industry officials predicted that production value this year will surpass last year's total by a wide margin.

Zhang Shou, president of the China State Shipbuilding Corporation (CSSC), overseers of marine engineering, said yesterday production value will surpass five billion yuan (\$1.05 billion), compared with last year's 4.66 billion (\$980 million).

Vessels totalling 600,000 dwt (dead weight tons), about the same as last year, will be completed this year, Zhang said.

At present, the shipbuilders still have orders for vessels totalling 2.6 million dwt with agreements worth 13 billion yuan (\$2.7 billion), he said.

At this time a year ago, the industry had orders only for vessels totalling some one million dwt.

Between January and October, the industry's production value was 4.48 billion yuan (\$940 million), a 16 percent increase over the same period last year, the latest statistics say. Production value comes to 101.5 percent of the State plan for this year.

**Targets**

This means the State targets on production value had been hit two months ahead of schedule.

In these months, 104 vessels totalling 375,338 dwt were completed. This means 70 percent of the State plan for this year was fulfilled.

This is the highest percentage for years, the statistics say. Since 1980, the CSSC has adopted a policy of "shipbuilding first with business diversified" to make full use of its advantages in technology and equipment.

Now, the production value of non-marine products makes up 39 percent of its gross output.

These products are spread over more than 20 different industries covering power, railways, automobiles, metallurgy, petrochemistry, coal mining, urban construction, light industry, textiles and medical instruments.

Zhang yesterday urged 160 enterprises and institutes under the CSSC to further diversify business and make greater efforts to develop non-marine products.

Experts feel non-marine products can bring profits which can be used by the shipbuilding and shiprepairing industries to further their development.

#### Textile Industry Develops Cone-Winding Frame

OW1611164790 Beijing XINHUA in English  
1230 GMT 16 Nov 90

[Text] Taiyuan, November 16 (XINHUA)—Following three years work, China has succeeded in developing its first automatic cone-winding frame, a key piece of equipment in the textile industry.

The Model-GA004D automatic cone-winding frame recently passed a state examination and appraisal and will soon be put into mass production.

The results of three months trial production show that all the machines functions and technical index standards meet the criteria of the Ministry of Textile Industry, and are equal to the international level in the mid 1980s.

The machine was developed jointly by the state-owned Sanyi Computer Company and the Shanxi Wool Textile Mill.

#### Industrial Performance of Several Cities, Provinces

##### Beijing Municipality

91CE0002A Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 8, Aug 90 pp 6-8

[Article by Research Office, Beijing Municipal Economic Commission; and Industrial Department, Beijing Planning Commission: "Analysis of Beijing Industry's Economic Returns"]

[Excerpts] In view of the poor situation in the country's economic work of high inputs and low output, and high speed development with low returns over a long period of time, the 12th National Party Congress of 1982 specifically noted the need to change economic work to a course that emphasized improvement of economic

returns, overcoming waste in the production, construction, and circulation fields. But after eight years, economic returns have not changed for the better. In some places, they have even gotten worse. Recently, the State Planning Commission impaneled a study group on industry's economic returns before which numerous comrades provided briefings on the situation in their province or city, as well as in enterprises, produced a conscientious analysis, and put forward measures and recommendations for improving work. We have selected several excerpted statements for publication, which appear below for the reader's consideration. [passage omitted]

Because of various changes since 1984 in enterprises' external environments and the effects of many factors that cannot be compared, certain norms no longer provide a true reflection of the status of economic returns of industrial enterprises. Indications are as follows:

1. Great rise in the price of both raw and processed materials and energy. The factor accounting for more than 60 percent of the year after year decline in the profits of Beijing's industrial enterprises by 550 million, 650 million, 905 million, and 1.52 billion respectively was the rise in prices of raw and processed materials, energy, and transportation. Meanwhile, among the factors contributing to an increase in profits, approximately 50 percent was attributable directly to the rise in prices each year. The remainder of the increase in profits derived from the development of new products, increased output that brought increased income, and economization and the tapping of potential. After offsetting the profit and loss factors against each other, an excess resulted; thus, profits increased year by year.

2. Changes in loan interest rates. The state allocations of working capital for industrial enterprises set in 1983 were never re-set thereafter. However, as the scale of enterprises' production expanded, as newly built projects came on stream, and as prices of raw and processed materials rose tremendously, enterprises experienced a serious shortage of working capital to sustain normal production. They were also unable to make up for this shortage out of their own funds. Thus, they had no choice but to depend on ever increasing bank loans to solve their difficulties. Year-end figures on working capital loans from the Industrial and Commercial Bank to municipal industries alone shot up from 2.628 billion yuan in 1985 to 7.9 billion yuan in 1989 in a threefold increase, while interest rates rose three times since August 1986 going from six percent before 1986 to 6.6, 7.5, and 9.45 percent in succession. The increase in the total amount of loans, and the repeated rise in interest rates steadily increased industrial enterprises' interest burdens. Their interest burden on loans from the Industrial and Commercial Bank alone increased for the years 1986, 1987, and 1988 to 94.6 million yuan, 89.8 million yuan, and 179 million yuan respectively.

3. Increases in tax payments. Incomplete statistics show 11 new tax payments since 1986. Examples include an

education surcharge, a real estate tax, a motor vehicle and boat use tax, a printing tax, and a land use tax, as well as various required debenture purchases, etc. Thus, a large portion of enterprises' profits were paid away in taxes. Not only does this directly impair enterprises' retained profits, but also hurts profits realized, the profit rate on capital, and the profit rate on sales. Furthermore, some new taxes may not be carried on the books as sales taxes, so this also hurts the profit and tax rate on funds, and the profit and tax rate on sales. In 1987 and 1988 alone, new taxes not carried on ledgers as profits and taxes realized amounted to 74,000 and 96,000 yuan respectively.

If the effect of the amounts of the above three factors on profits and taxes realized are considered as being part of sums of the same kinds (but without being considered as a cumulative factor), the interest and tax rate on funds for the years 1985 through 1988 should then be 40.93, 37.59, 33.38, and 36.06 percent, basically maintaining the rather good level of the previous several years. Use of the same method to re-calculate the profit and tax rate on sales yields 29.59, 28.59, 26.89, and 26.73 percent, also maintaining the level of the previous several years.

4. Total wage bill carried as a cost. In 1986, 61 industrial enterprises covered by the budget, and after 1987 all industrial enterprises covered by budget in Beijing practice a method whereby the total wage bill was linked to profits and tax receipts. The total wage bill, inclusive of bonuses, was carried as a cost, which also increased substantially each year. From 1986 through 1988, it increased by an average 20.6 percent annually. Comparison of 1988 with 1986 showed a net increase of 530 million yuan in the total wage bill. This made up for the relative general decline in staff member and worker earnings resulting from a rise in prices. At the same time, however, it added to enterprises' costs and diminished their profits.

5. Investment in cleaning up pollution. During the past 10 years, the Beijing industrial system cleaned up a total of more than 5,000 polluting enterprises, and merged, retooled for other production, halted production, or moved the location of 262 seriously polluting plants and workshops, investing more than 1 billion yuan, or an average of 100 million yuan annually, in the task. The loans required for this investment were paid for out of funds that the enterprises raised themselves. The work was paid for by halting pay outs of profits from old enterprises. Thus, returns for some industries were shifted from the near-term to the long-term.

6. Institution of a complete retirement system. Since the institution in 1987 of a complete retirement system for staff members and workers, enterprises have had to pay 15 percent of the total wage bill into a retirement fund. This has increased enterprise's payments for costs, thereby impairing profits. Furthermore, this expenditure increases each year as the total wage bill increases.  
[passage omitted]

### Shaanxi Province

*91CE0002B Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 8, Aug 90 pp 9-11*

[Article by Shaanxi Provincial Planning Commission: "Cursory Analysis of Economic Returns From Industry in Shaanxi Province and Suggested Remedies"]

[Excerpt] Economic returns from industry in Shaanxi Province, which depend very greatly on growth in output value, have exhibited a marked speed of increase. Take, for example, the local state-owned industrial enterprises within budget throughout the province in which the correlation between total profits and taxes realized and the increase in industrial gross output value for the period 1979 through 1983 was 0.7, meaning an only 0.7 percent increase in profits and taxes realized for every one percent increase in gross industrial output value. The speed of growth of returns was particularly conspicuous during a period of low speed economic growth. During the first quarter of 1990, gross industrial output value of local enterprises in the province within budget increased 0.85 percent; sales revenues declined 9.12 percent; and profits and taxes realized consequently declined 34.9 percent. Profits and taxes per 100 yuan of output value were 6.01 percent less than during the same period in 1989, and profits and taxes realized per 100 yuan of sales earnings declined 4.40 yuan.

The following were the main reasons for the impairment of economic returns:

1. An Unfavorable External Economic Environment That Caused Great Fluctuations in the Speed of Industrial Development to the Impairment of Economic Returns. Impatience for success in the guiding thought, and the alternate tightening and loosening of economic policies caused "three rises and two falls" in the development of industry in Shaanxi. Years between 1978 and 1988 in which the speed of industrial growth in the province exceeded 13 percent included 1978 (18.83 percent), 1983 (13.58 percent), 1984 (14.91 percent), 1985 (21.84 percent), 1987 (14.14 percent), and 1988 (17.91 percent). Years in which the speed of growth was either fairly low or negative included 1979 (5.79 percent), 1980 (2.86 percent), 1981 (-0.11 percent), 1982 (8.25 percent), and 1986 (12.35 percent).

The great rises and falls in the speed of industrial development occasioned a decline in economic returns. This showed up, first, in too vigorous demand. As the speed of industrial development rose, an overall serious shortage occurred in the elements of production such as raw materials, energy and capital. For example, industry experienced a 600 million kwh shortage of electricity in 1986, an 800 million kwh shortage in 1987, and a 2 billion kwh shortage in 1988. Second was a market slump as a result of which "monopoly production," and "monopoly sales" measures were instituted, interest rates on savings increased, and the money supply declined. Poor sales meant the accumulation of goods in inventory, sluggish turnover of enterprise funds, and a

sharp downturn in the speed of industrial development. At the end of 1989, 2.517 billion yuan of capital was tied up in the manufactures of industrial enterprises covered by the budget throughout the province. This was an 80.83 percent increase over 1988. Enterprises sold off products at a loss, thereby causing a slide in economic returns.

**2. Imbalance in the Industrial Structure and an Outflow of Economic Returns.** As a result of the economic construction of the past 40 years, Shaanxi's industrial structure is dominated by the machinery and electronics industries. In 1988, the original value of fixed assets, and gross industrial output value of the machinery and electronics industry accounted for 39 and 43 percent of the total for the province. Since the province's raw and processed materials industries are not well developed, the total price index for means of production purchased from elsewhere was 33.94 percent higher in 1989 than in 1988. This included mostly a 35.34 percent rise in the price of raw and processed materials. This rise was nine percent higher than the rise in sales receipts resulting in an outflow of economic returns from industry. Statistics show an output during 1988 of approximately 300 million yuan, and of approximately 400 million yuan in 1989. The annual outflow of returns was equivalent to 10 percent of industrial enterprises' profits and taxes for the same year.

**3. Increase in Factors Increasing Costs and Reducing Profits for Steady Rise in Product Costs.** During the period 1979 through 1988, product sales costs of independently accounting industrial enterprises under ownership of the whole people increased by an annual 8.29 percent. During this same period, total costs of comparable products increased by an annual 19.7 percent thereby exceeding by 11.55 percent the growth of income from product sales. The steady rise in product costs was attributable to the rise in prices of the means of production, the increase in the amount of capital tied up, the increase in wage costs, and the increase in taxes and other assessments. This shift of enterprise returns in the direction of social rigidity was the main reason causing the slide in enterprise returns and operating difficulties.

First was the rise in prices of the means of production. A provincial economic commission survey of 92 enterprises showed a 369 million yuan greater payment in 1988 than in 1985 resulting from the rise in prices of raw and processed materials alone, which rose by an annual 72 percent. During the same period, the speed of increase in sales income was 54.5 percentage points lower than the rise in prices of raw and processed materials.

Second was an increase in the amount of tied up principal and interest. A survey of 92 enterprises showed a 1.276 billion yuan increase in 1988 versus 1985 in the year-end amount of quota circulating funds for an annual 18 percent increase. In order to solve the problem of insufficient quota circulating funds, credit was increased by 396 million yuan in a 3.57-fold increase.

The increase in credit caused a rise in interest, the net increase in interest amounting to 62 million yuan in a 1.3-fold increase and accounting for more than 10 percent of the total increase in product costs. Following the two interest rate readjustments of 1 September 1988 and 1 February 1989, enterprise interest payments increased, adding 255 million yuan in 1989 to product costs.

Third was an enormous increase in staff member and worker wages and payments of a wage type. The total wage bill for staff members and workers in state-owned industrial enterprises increased 906 million yuan between 1985 and 1988 with wages increasing 592 yuan, bonuses increasing 156 yuan, and allowances increasing 213 yuan per capita for a 65.42, 50.95, 113.87, and 117.49 percent increase respectively. Labor productivity rates rose 38, 23.5, 86.5, and 90 percentage points between 1985 and 1988. Payments of a wage nature by local state-owned industrial enterprises within budget throughout the province were 15.78 percent higher in 1989 than in 1988, which was much higher than the 3.67 percent increase in gross industrial output value for the same period. Loss of control over consumption funds resulted in a large scale flow of enterprise returns to staff members and workers to the impairment of state financial revenues as well as enterprises' self-development capacity.

Fourth was an increase in the number of taxes, fees, and assessments. Among payments of costs has been the addition in recent years of quite a few taxes and fees such as an enterprise insurance fee, an unemployment insurance fee, a pollution eradication fee, a water resources fee, a stamp tax, a motor vehicle and boat use tax, a real estate tax, and a resources tax, as well as assistance and assessments under numerous names. Incomplete statistics from 60 machinery, electronics, textile, petrochemical, and metallurgy firms in the province show that the above kinds of payments increased from 23.45 million yuan in 1985 to 34.89 million yuan in 1989 in a 67.2 percent increase.

**4. Irrational Enterprise Organizational Structure, Product Mix, and Technical Structure; Low Administrative Level.** The organizational structure of Shaanxi's industrial enterprises is irrational. Within enterprises, technology is usually "large and all inclusive," or "small yet all inconclusive." Because of the system whereby management is divided between the local and central government, the degree to which a cooperative relationship has developed among enterprises is very low, and there is little give and take between national defense ordnance industries and local enterprises, between central government enterprises, between enterprises under provincial jurisdiction, and between prefecture and county enterprises. A rational flow of production elements and optimization of groups is consequently difficult, and inefficiency erodes proper returns.

Enterprises' administrative foundation is weak, and high consumption and low efficiency are very serious. A problem common to all enterprises is emphasis on

material rewards and punishments, lack of attention to ideological and political work, perfunctory performance of basic administrative tasks, and fairly low man-hour utilization rates and equipment utilization rates. The province's industrial output value material consumption rate increased by 11.8 percentage points between 1985 and 1988. The processed steel utilization rate in the machine industry is only about 65 percent (versus 68.5 percent for the country as a whole, and electricity consumption for electric steel, and electrolytic aluminum is 15.7 and 20.3 percent higher than for the country as a whole). Yet another manifestation of the low level of administration is increased losses resulting from waste and substandard products. Losses attributable to this cause in local industrial enterprises within budget throughout the province totaled 15.92 million yuan in 1986. In 1987, additional losses of 36.51 million occurred. Despite the fairly rapid industrial growth during the same period, the poor administration and management of enterprises caused high consumption, large waste, and low returns. [passage omitted]

#### Tianjin Municipality

*91CE0002A Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 8, Aug 90 pp 12-14*

[Article by Tianjin Municipal Economic Commission: "Brief Analysis of and Recommendations About the Decline in Industrial Enterprises' Economic Returns"]

[Excerpt] [passage omitted] Analysis of pertinent materials shows at least six reasons for the decline in total profits as follows:

1. The transfer elsewhere of a large amount of the city's profits from processing industries. Tianjin has not developed industries that occupy a dominant position in the production of raw and processed materials. The self-sufficiency rate for industrial raw and processed materials is very low at between only 20 and 30 percent. A large amount of raw and processed materials have to be supplied from outside the city. In a situation in which the state raised prices of raw and processed materials, fuel, and power in order to develop raw and processed materials and energy industries, Tianjin's industry has been unable to make a good showing and profits declined tremendously. Statistics show a flow elsewhere of 11.6 billion yuan in profits from the city between 1985 and 1989. This includes a shift of profits from industrial enterprises covered by budget resulting from the rise in prices of raw and processed materials, fuels, and power amounting to 1.9 billion yuan for the three years from 1985 through 1987, and of 1.96 billion yuan for just 1988 alone. In 1989, the figure was 2.98 billion. If increases in interest rates, transportation rate surcharges, and new national taxes for 1989 are added in, the outflow of profits amounted to 2.54 billion yuan, an amount greater than total profits for all of 1988. If total profits of industrial enterprises within budget are compared year by year for these five years, the figure was between 2.33 and 2.47 billion yuan for the period 1985

through 1987, 2.28 billion for 1988, and 1.74 billion for 1989. Clearly, there was a completely identical trend of development in the shift of profits elsewhere and decline in total profits resulting from increased prices of raw and processed materials, fuel, and energy, which shows a direct cause and effect relationship between the shift of profits elsewhere and the decline in total profits in Tianjin.

2. Structural contradictions exist in industry; high technology industries have not made good; and the city increased prices of processing industry products to improve profits. Estimates show that between 1985 and 1989, only 5 billion yuan was shifted into profits through the raising of product prices throughout the city. This was only 43 percent of the 11.6 billion yuan of profits that left the city, the transfer in failing to offset the transfer out for a decline in profits. The reason is that costs are high and the level of new technology is relatively low in Tianjin's industry. Product added value is not great. An example is the metallurgy firm's double converted iron [erci huatie] [0059 2945 0553 6993], which, it seems, may still be produced in only this one Tianjin plant. Another example is a cotton textile firm that has been in service for more than 20 years. Equipment that no longer has any net value, including equipment from the 1930's, and 1940's accounts for 27 percent of all of its equipment. This makes it very difficult to organize the processing of fine cotton textile products.

3. Insufficient investment and no vigorous development. The first problem is that the state invests little in Tianjin. Between 1980 and 1988, the state invested only 12.9 billion yuan in Tianjin, including 4.4 billion of dedicated funds for the diversion of the Luan River through Tianjin and to provide earthquake disaster relief. Even less was invested for the technical transformation of industry. Nationwide, 84 percent of funds for technical transformation went to industry, but in Tianjin the percentage was only 55 percent. Second, enterprises have very poor self-transformation capabilities. Quite a lot of extrabudgetary funds are withheld from Tianjin industrial enterprises covered by budget, but not much can be used for the development of production. In 1989, for example, enterprises had retained profits of 600 million yuan and a 900 million yuan fund for renovation, technical transformation, and major overhauls. After deducting 310 million for the bonus and welfare funds, money withheld for productive uses came to 1.19 billion yuan. After deducting another 358 million yuan for energy, transportation, the budget regulation fund, the purchase of treasury bonds, to underwrite government bonds, and to augment circulating capital, 832 million still remained. At least 510 million was needed annually for incidental purchases of fixed assets, major repairs, and small improvements to maintain simple reproduction. This left only 322 million yuan. If it could be used to augment self-provided funds, 1.07 billion yuan would have been available in a year for technical transformation projects. However, in 1989 the welfare fund ran a

deficit that was 182 million yuan more than in 1988; 315 million yuan more was needed than in 1988 for working capital, and another 497 million yuan was tied up. Consequently, productive funds for the development of technical transformation showed up as a minus, and 175 million yuan had to be taken out of payments for the maintenance of simple reproduction.

4. These assessments and collections under one name or another ate up the profits and took away funds available to enterprises for production. Statistics from the municipal departments concerned showed that one department or another in the State Council provided for the collection of 425 million yuan for 163 different purposes in 1988. A portion were carried as cost payments or as business expenditures, and a portion were paid out of retained profits. This diminished profits and adversely affected enterprises' self-transformation capabilities.

5. In the distribution of profits, curtailment of the repayment of loans for many years running to insure payment of profits to the state has meant that enterprises carry a heavy loan burden. They are unable to repay old loans to get new ones in a revolving pattern.

The state has ruled that Tianjin is to institute a financial system whereby it apportions a certain percentage of profits to the state. The amount paid the state is a substantial percentage of the city's financial revenues, the third highest in the country. Thus, Tianjin financial departments have to try to organize financial revenues better in order to be able to pay needed subsidies and daily expenses. Therefore, in planning the distribution of profits from industrial enterprises, for many years the repayment of loans has had to take a back seat to the payment of profits to the state. In 1989, for example, total profits from industry were 580 million yuan less than in 1988 when figured in the same terms, yet profit payment norms contracted were only 60 million yuan less. This actually amounted to an increase in the profit payment norm, and it reduced debt repayment by 260 million yuan. In addition, anticipated benefits did not accrue from some capital construction and technical transformation projects. Thus industrial enterprises carried a particularly heavy loan burden for capital construction and technical transformation measures. Financial accountings for industrial enterprises throughout the city showed an outstanding balance of 456 million yuan in loans for capital construction and technical transformation measures as of the end of 1988 requiring the payment of 638 million yuan in interest annually. In 1989, 596 million yuan of profits were spent for loan servicing. This was 144 million yuan less than in 1988 and was not enough to pay interest.

6. Various normal relationships within enterprises are not coordinated. In some enterprises, for example, relations between cadres and the rank and file are not sufficiently close. Insufficient expression is given to the position of workers as masters in their own house. Distributions are unfair and egalitarianism is practiced; management is lax; rules and regulations are not strictly

enforced; and returns "evaporate, escape, leak away, and disappear," etc. All these things keep the broad masses of cadres, staff members and workers from exercising socialist zeal to do a good job of production, administration, and technical improvements to increase output and increase earnings. [passage omitted]

### Fujian Province

91CE0002A Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 8, Aug 90 pp 15-16

[Article by Fujian Provincial Planning Commission: "Reasons for Poor Economic Returns From Fujian Industry Analyzed"]

[Excerpt] [passage omitted] Numerous reasons account for the not very high economic returns from the province's industry. Not only is the existing industrial foundation weak, the quality of enterprises poor, and the management level low, but one of the main reason is the irrational industrial structure.

**1. Loss of Macroeconomic Control, and Structural Imbalance.** Since economic system reform, with the level-by-level delegation of investment management authority, all departments in charge continue to give priority to output value and speed, to be concerned about their political careers, and take a short-range view of business operations. This results in duplicatory construction, ill-advised planning, and a headlong rush into rash action. The local industrial structure tends to be more of what already exists. Small paper plants, small canning factories, small tea factories, small plywood mills, and small cement plants blossom everywhere. Their production is small scale; their technology is backward; they consume large amounts of fuel and raw materials; they waste large amounts of resources, and their social benefits are low. The result of the competitive development of a large number of small enterprises is the snatching of raw materials from each other and competition for markets while equipment in large factories stands idle.

**2. Irrational Organizational Structure in Enterprises With Low Level of Specialized Coordination.** Large- and medium-sized enterprises account for only 1.81 percent of all enterprises in Fujian Province. Small enterprises account for 98.19 percent of the total. In most small enterprises, skills, technology, and equipment are backward; quality is poor; the management level is low; and returns are poor. In 1988, the output value profit and tax rate of small enterprises was 17.91 and 7.75 percentage points lower respectively than for large and medium size enterprises; and the capital profit and tax rate for small enterprises was respectively 21.34 and 6.35 percentage points lower than for large and medium size enterprises. The all-personnel labor productive rate was 3.2 times and twice as low as for large and medium size enterprises. Losses of small enterprises were 10.5 and 7.07 percentage points higher respectively than for large- and medium-sized enterprises. For various reasons having to

do with prefectures, cities and departments, and ownership systems, lateral economic links among enterprises, and the level of specialized coordination of production are low. Consequently, technology is backward, production runs are small, consumption is large, costs are high, the labor productivity rate is low, the economies of scale are low, and enterprises' economic returns are not high.

**3. Irrational Industrial Structure.** Basic raw and processed materials industries develop more slowly than processing industries, and their industrial structure is light, the ratio of light to heavy industries being 65 to 35. The development of light and heavy industries is not sufficiently coordinated. During the Sixth Five-Year Plan and Seventh Five-Year Plan periods, light industries continued to develop at a faster speed than heavy industries. The production capacity of processing industries steadily expanded, so much so that raw and processed materials could not keep up. The gap continued to widen, and the conflict between supply and demand became increasingly conspicuous. Except for sulfuric acid and caustic soda, the province was either not self-sufficient or only barely self-sufficient in most other raw and processed materials used in industrial production. Examples include processed steel, nonferrous metals, raw materials for making plastics, rubber and other chemical industry materials, bituminous coal, and petroleum, more than 80 percent of which had to be supplied from outside the province or imported. The severe shortage of railroad transportation made it difficult to bring raw and processed materials into the province. The backward state of raw and processed materials industries not only made it impossible for processing industries to use their production capacity to the full, but it also further limited the further development of downstream industries, which hurt the improvement of economic returns.

**4. Irrational Product Mix and Poor Competitiveness.** A situation of "five many and five few" still exists in industrial products today, meaning many old products, but few new products; many crudely processed products, but few finely processed products; many low quality products, but few medium and high quality products; many run-of-the-mill products, but few name brand, high quality, and distinctive products; and many products useful for a single purpose, but few products useful for multiple purposes. Under these circumstances, as soon as a buyer's market occurs, enterprises face the threat of their products being squeezed out, or the danger of being wiped out.

**5. Irrational Technological Structure.** Analysis of the existing level of skills, technology, and equipment in enterprises shows that 12 percent of equipment has been in use for 20 years or more, and 43 percent has been in use for between 10 and 20 years. About 22.4 percent of enterprises have a 1960's production technology; 53 percent have a 1970's technology; and 24.6 percent have a 1980's technology. Overall, the level of technical equipment is at that of the 1960's in foreign countries. During recent years, less than 30 percent of the investment in

technical transformation has been used to improve product quality, to conserve energy and reduce consumption, and to develop new products. As a result, the level of the province's technical equipment used in industry is not high; the technical range is not high; and the irrational technical structure has not been fundamentally changed. In a substantial number of enterprises, technology remains backward. Equipment is old and has outlasted its service period; equipment updating and technical progress are slow; development capabilities are poor; and production efficiency is low. The result is poor economic returns.

**6. The Effect of Policies and Other Factors on Economic Returns.** The tremendous increase in prices of raw and processed materials of recent years, and particularly the manifold increase in prices outside plan, has meant that price increases for downstream processing industry products are unable to keep up with the rise in prices of raw and processed materials. Fujian's industry is mostly light industry, which is largely dependent for the supply of raw and processed materials from elsewhere, which means it has to pay more for them. Price of some products are not orderly, and price ratios are not rational. For example, the price of sugarcane is too low in comparison with prices of other cash crops, and the price of sugar shows a departure from the laws of value. Sugar-growing peasants are unwilling to grow sugar, so sugar refineries receive insufficient supplies for crushing. Only half of their production capacity is used; returns from production have slid tremendously throughout the industry, and very many sugar refineries have changed from major payers of profits and taxes to loss industries.;

In addition, bank interest rates have increased; the number of things that enterprises insure has increased; and enterprises' payments of interest and insurance for production have increased, a very large part of profits being diverted to the payment of interest and insurance. For example, independently accounting state-owned enterprises had interest payments of 31.52 million as part of production costs in 1980. By 1989, interest payments as part of production costs reached 598.89 million in a 19-fold increase. When various assessments and additional fees are added in, production costs rise and enterprises' burdens become increasingly onerous, impairing their returns. [passage omitted]

### Heilongjiang Province

91CE0002A Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 8, Aug 90 pp 17-18

[Article by Integration Department, Heilongjiang Provincial Planning Commission: "Analysis of Economic Returns of Industry in Heilongjiang Province"]

[Excerpt] [passage omitted] The main problems affecting the province's economic returns are of a structural nature. The irrational industrial structure bequeathed by history makes the contradictions sharper during a period of economic cutbacks.

1. The position and role of industries that were traditionally dominant has declined for a worsening of economic returns. Coal, timber, petroleum, and machinery were long the province's four dominant industries, which had an output value of 24.565 billion yuan in 1988. This was 56 percent of the province's total output value. Economic returns from these industries declined during economic retrenchment as prices of raw and processed materials rose, costs soared, prices of finished products were set too low, and command plan norms were set too high. Total profits and taxes in the coal industry fell from 40 million yuan in 1986 to 31 million yuan in 1988 in an annual 11.97 percent speed of decline. Losses increased from 45 million yuan to 71 million yuan in an annual 25.6 percent speed of increase. During the first half of 1989, the Daqing Petroleum Administration showed losses of 590 million yuan, 7.2 times the figure for the same period in 1988. Profits from electromechanical products were generally minuscule, and historically low prices of farm machinery caused many enterprises to halt production or operate at a loss. The original four traditional industries have gone from product dominance to poor returns.

2. Shipments of products at low prices and bringing in of goods at high prices for an outflow of profits. Calculations based on 1987 input-output tables show a net shipment of 3.657 billion yuan worth of goods outside the province, the shipment of raw and processed materials and primary products accounting for 70 percent of the total. Shipments into the province consisted primarily of nonferrous metals and final products, generally at overly high prices. Calculations based on the profit and tax rate on the average cost of production nationwide, and actual costs in Heilongjiang Province show the province as having more than 2 billion yuan less profit and tax income while a large amount of profits flowed out to raw materials processing provinces and cities.

3. Conflicts between the product mix and the make-up of market demand have become increasingly prominent. One of the reasons for this was that during readjustment of the economic structure, some poorly performing, high energy consuming, and long-time loss enterprises were not effectively brought under control, and the trend was for ordinary processing industries to continue to develop. Second brisk sales of certain products turned into flat sales; flat sales turned into stagnant sales; and stagnant sales resulting in an ever more serious problem of accumulation of goods in inventory. This meant a sharp increase in the amount of funds tied up in finished products. Third, approximately one third of the province's enterprises did not have sufficient work to keep them busy because of the shortage of materials needed for production and the stagnant sales of products, and one fourth of fixed assets were idle or semi-idle. The trend is toward continued worsening.

4. Continued imbalance between basic industries such as energy and transportation, and the extraction and processing industries. From 1985 through 1988, the province's electric power industry increased output value by

an average 8.1 percent annual, which was lower than the 8.7 percent annual increase in output value of all independently accounting industries in the province. During 1989, there was a 5.18 billion kwh shortage of electricity throughout the province, the electric power shortage reaching 25 percent during the first half of the year. This meant that enterprises shut down for three days and operated four days each week to the impairment of both output value and returns. Because of the transportation shortage in which freight cars could satisfy only 70 percent of demand, large amounts of coal, timber, and agricultural by-products piled up awaiting transportation, thereby tying up large amounts of capital, which sharply increased the funds shortage. [passage omitted]

### October Gross Industrial Output Reported

*HK1211095190 Beijing CEI Database in English  
12 Nov 90*

[Text] Beijing (CEI)—Following is a list of China's total industrial output value in October 1990, released by the China State Statistical Bureau.

	(in 100 million yuan)		
	1-10/90	10/90	10/89
Total	11113.3	1191.9	1057.9
Export products	1291.3	142.8	
Light ind.	5607.3	612.5	527.0
Heavy ind.	5506.0	579.4	530.9
State	6751.7	710.4	660.2
Collective	3699.4	406.1	350.8
Others	662.2	75.4	46.9

(Industrial output value is measured in 1980's constant yuan)

### Output of Light Industrial Products in October

*HK1211095790 Beijing CEI Database in English  
12 Nov 90*

[Text] Beijing (CEI)—Following is a list of the output of China's light industrial products in October 1990, released by the State Statistical Bureau:

Item	Unit	9/90	9/89
Bicycle	10,000S	276.72	252.52
Sewing machine	10,000S	54.17	70.29
Watch	10,000	725.5	550.2
TV set	10,000S	232.62	197.46
Color TV	10,000S	102.46	63.63
Video recorder	10,000S	0.02	
Radio	10,000S	170.48	172.70
Tape recorder	10,000S	277.12	159.55
Washing machine	10,000S	53.51	36.34

## ECONOMIC

JPRS-CAR-90-090  
7 December 1990

Item	Unit	9/90	9/89
Camera	10,000S	26.16	16.15
Fan	10,000S	248.62	244.79
Refrigerator	10,000S	37.03	28.72
Sugar	10,000T	19.07	10.18
Salt	10,000T	307.3	346.8
Cigarette	10,000C	320.3	306.4
Beer	10,000T	43.11	35.79
Liquor	10,000T	41.04	32.52
Canned product	10,000T	12.96	20.08
Feed	10,000T	202.79	188.45
Machine-made paper and kraft	10,000T	99.59	94.13
of: Newsprint	10,000T	3.38	2.36
Anastatic printing paper	10,000T	5.38	5.74
Synthetic detergent	10,000T	11.78	11.31
Daily fine aluminum products	T	5878	5542
Plastic product	10,000T	28.07	22.81
farming film	10,000T	2.74	2.57
Bulb	100M PC	2.04	1.74

Notes: M.M—million meter; C.M.—cubic meter; PCS—piece; C—cases; T—ton;s—set

## Major Chemical Products Produced in October

HK1511085790 Beijing CEI Database in English  
15 Nov 90

[Text] Beijing (CEI)—Following is a list of the output volume of major chemical products in October 1990, released by the China State Statistical Bureau:

Item	Unit	10/90	10/89
Chemical fiber	10,000t	12.93	12.54
Sulphuric acid	10,000t	107.80	101.96
Dense nitric acid	10,000t	3.05	2.71
Soda ash	10,000t	34.73	29.36
Caustic soda	10,000t	29.00	26.43
Ethylene	10,000t	15.62	11.48
Calcium Chloride	10,000t	20.48	22.35
Pure benzene	10,000t	5.09	4.02
Synthetic Ammonia	10,000t	185.77	182.06

Item	Unit	10/90	10/89
Fertilizer	10,000t	170.71	164.23
of: Nitrogen	10,000t	129.45	126.45
Phosphorous	10,000t	38.85	36.13
Potash	10,000t	2.40	1.62
Chemical pesticide	10,000t	1.51	1.78
Paint	10,000t	7.48	6.32
Dyestuff	10,000t	1.24	1.15
Pharmaceuticals	10,000t	1.54	1.70
Chinese patent medicines	10,000t	1.82	1.48
Tyre	10,000	275.85	231.84
Synthetic rubber	10,000t	2.91	2.08
Film	10,000m	940	1234
Color film	10,000m	940	1234
Plastics	10,000t	21.74	15.24

Notes: m—meters, t—tons

## Output of Raw Materials in October

HK1511085790 Beijing CEI Database in English  
15 Nov 90

[Text] Beijing (CEI)—Following is a list of the output volume of raw materials in October 1990, released by the China State Statistical Bureau:

Item	Unit	10/90	10/89
Iron ore	10,000t	1438.9	1399.8
Pig iron	10,000t	598.1	513.2
Steel	10,000t	597.2	561.5
Rolled steel	10,000t	455.23	445.11
Ferro alloys	10,000t	20.49	20.18
Coke	10,000t	449.07	413.73
Ten non-ferrous metals	10,000t	20.26	18.51
Copper	10,000t	5.05	4.68
Aluminium	10,000t	7.31	6.41
Copper products	10,000t	3.48	3.03
Aluminium products	10,000t	3.20	2.40
Alumina	10,000t	13.12	12.66
Sulphuric-iron Ore	10,000t	112.06	102.94
Phosphorus ore	10,000t	167.33	165.65
Timber	10,000c.m.	250	240

Item	Unit	10/90	10/89
Artificial board	10,000c.m.	18.13	18.35
Cement	10,000t	1897.1	1774.7
Plate glass	10,000c	685.35	766.26

Notes: m.m—million meters, c.m—cubic meters, c—cases

### Xiamen Boosts Industrial Output

OW1711120490 Beijing XINHUA in English  
1111 GMT 17 Nov 90

[Text] Xiamen, November 17 (XINHUA)—The total industrial output value of Xiamen, a special economic zone in east China's Fujian Province, had reached 5.052 billion yuan (about 1 billion U.S. dollars) by the end of October this year, 15 percent more than the same period of last year.

According to the city's statistics bureau, the output value of the foreign-funded enterprises in the first ten months of this year amounted to 2.732 billion yuan (about 500 million U.S. dollars), making up 54.08 percent of the total of the city.

The city has exported 2.046 billion yuan (about 400 million U.S. dollars) worth of its industrial products, accounting for 40.51 percent of the total industrial output of the city.

It is notable that the city has fulfilled this year's target of machinery and electronic production four months ahead of time.

### Hunan Improves Industrial Production

HK0911125590 Changsha Hunan Provincial Service  
in Mandarin 2300 GMT 6 Nov 90

[Text] Statistics released yesterday by the provincial statistical bureau show that the province's overall campaign to boost industrial production has achieved initial results. The national [as received] gross industrial output value for October hit 5.185 billion yuan, which amounts to 3.496 billion yuan if calculated in constant prices, increasing by 8.4 percent over the same period last year, putting an end to the continuous declining trend in August and September. The industrial production's main characteristics in October were: 1) More localities registered growth. Of the 14 prefectures, autonomous prefectures, and cities across the province, 12 boosted their industrial production, among which Changsha, Xiangtan, Shaoyang, Changde, and Yiyang registered a growth rate of 10-20 percent. A total of 464 large and medium-sized enterprises throughout the province have begun to extricate themselves from the predicament of zero growth and registered a growth rate of 6.2 percent in October, higher than the growth rate of 5.7 percent for the state-owned enterprises provincewide. 2) The industrial enterprises under the collective ownership continued to show a better momentum. The industrial production under the collective ownership throughout

the province reported a 14.7 increase in October, of which township and town enterprises increased their industrial production by 22.7 percent. 3) The production of mechanical, electronics, and textile trades picked up rapidly. In October, the province's mechanical industry registered a growth rate of 4.9 percent, the textile industry 4.3 percent, and the electronics industry 45 percent.

At present the main problems for industrial production are: 1) Losses remain enormous. 2) The work of contracting for industrial production for the second round does not proceed quick enough. By late October, the enterprises which had been put under contract for the second round only accounted for 54.8 percent of the enterprises.

### Shenyang Reports Growth in Industrial Output

SK2111151690 Shenyang Liaoning Provincial Service  
in Mandarin 2300 GMT 20 Nov 90

[Summary] In October, Shenyang City realized 2.12 billion yuan of total industrial output value, a 0.9 percent increase over the same period of 1989. The state-run industrial enterprises whose output value accounts for more than 60 percent of the city's total industrial output value showed a 1.2 percent increase over the same period of 1989 in output value. Their newly increased output value is worth 12.9 million yuan. The city's large and medium-sized enterprises which slumped in the former period surpassed their output value achieved in October 1989 and removed their level of negative increase. The city's production of export commodities achieved steady growth.

### Shanghai's Total Industrial Output Climbs

OW1111092690 Beijing XINHUA in English  
0851 GMT 11 Nov 90

[Text] Beijing, November 11 (XINHUA)—The total industrial output value of Shanghai, the biggest industrial city of China, amounted to 10.057 billion yuan (about 2.135 billion U.S. dollars) last month, 12.6 percent more than the same month of last year.

According to the statistics from the municipal Statistics Bureau, the total output value of the first 10 months of this year reached 95.24 billion yuan (about 20.22 billion U.S. dollars), up 2.4 percent from the same period of last year.

Of the total industrial output value of the first 10 months of this year, the light industrial sector made up 51.9 billion yuan, up 1.6 percent over the same period of last year, while the heavy industrial sector went up 3.5 percent.

A report from the Statistics Bureau shows that the city's industrial production recovered stably during October. The output of light industry and heavy industry increased by 12 percent and 13.3 percent, respectively, over October of last year.

Although the output of state-run and collectively-run enterprises dropped during the first 10 months of the

year, their output last month increased by 4.8 percent and 16.5 percent, respectively, against the same period of last year.

According to the report, more commodities that are in high demand have been produced this year. The output of 230 high-demand commodities hit 12.5 billion yuan during the first nine months of this year, accounting for 14.7 percent of the city's total industrial output value during the period.

The production of some durable goods, including color TV sets, household washing machines and household refrigerators, began to turn for the better.

## SMALL-SCALE ENTERPRISES

### Views on Township Enterprises in Next 5-Year Plan

91CE0009A Beijing ZHONGGUO NONGCUN JINGJI [CHINA'S RURAL ECONOMY] in Chinese No 8, 20 Aug 90 pp 62-64

[Article by Bao Youti (7637 2589 1879), Department of Rural Economy, State Planning Commission: "A Symposium Summary—Views on Township Enterprises in the Eighth Five-Year Plan and in the 10-Year Development Plan."]

[Excerpts] Recently, the State Planning Commission's Department of Rural Economy invited experts and concerned personnel from research and educational institutions such as the Chinese Academy of Social Sciences and the People's University of China to discuss township enterprise issues in both the Eighth Five-Year Plan and the 10-Year Development Plan. The major views are summarized below.

#### I. Basic Thoughts on Strengthening Macromanagement of Township Enterprises

[passage omitted] During the Eighth Five-Year Plan, we must strengthen macromanagement of township enterprises in order to solve the problem of how township enterprises should subordinate themselves to state planning and to overall macroeconomic interests. Taking this general task and goal as a base, experts made proposals on strengthening macromanagement of township enterprises, focusing on what and how to manage.

1. Township enterprises have characteristics of both agricultural and industrial economies. They play an important role in the rural economy as well as in the national economy. Township enterprises are involved in various trades and produce all kinds of products. Their production and business activities involve all aspects and departments of the national economy. It is difficult for any one department to assume responsibility for macromanagement of township enterprises. As the department which synthesizes macroeconomics at the highest levels, the State Planning Commission should take on the macromanagement of township enterprises.

If township enterprises, which are a large sector, are outside of planned directives, then the overall balance and macroeconomic regulation and control of the national economy can hardly work.

2. As far as macromanagement is concerned, township enterprises should be well managed by controlling their overall framework. This involves such elements as structure, direction, speed, and distribution. Once the overall framework is set, there will not be any major problems. As for township enterprises' production and business activities, three methods can be taken to put them on the path of a planned commodity economy. First, direct planning. Township enterprises' raw materials, energy resources, and exports must be brought in line with state or local planning, according to their share in the national and local economies and based on their specific situation. Products under the plan will be supported with appropriate financial assistance, raw materials, and resources. Second, indirect planning. Township enterprises' production and business activities which serve and coordinate with state-run industries must be indirectly brought into the plan through the state-owned enterprises. Third, market adjustment. The production of ordinary industrial products, as well as of consumer goods, must be balanced to meet social demand, mainly through the use of policies and information guidance.

3. When they research the layout of productive forces, arrange new production capacity, and draw up the Eighth Five-Year Plan and the 10-Year Development Plan, concerned departments should take local interests and the production capacity of township enterprises into overall consideration. In recent years, township enterprises have consumed an average of 160 million tons of standard coal annually, which has accounted for 24 percent of the overall industrial energy consumption nationwide. The unplanned increase in energy consumption by township enterprises has greatly affected the overall balance of the country's energy supply and demand. Thus we must bring township enterprises' energy consumption in line with the nation's balanced energy plans.

#### II. The Issue of the Relationship Between Township Enterprises and Agriculture

The question of whether the development of township enterprises affects or supports agricultural production has been debated for a long time. Comrades at the meeting concluded that there are mutually inclusive as well as mutually exclusive aspects to the relationship between township enterprises and agriculture. On the whole, township enterprises benefit agriculture more than they harm it. The major problems facing agriculture are the large rural population, the relative limitation of natural resources, and the problem of agriculture's comparative advantage. In recent years, the state was largely unable to raise the prices of agricultural products or increase the proportion of agricultural investment. Yet agricultural production still grew. It benefitted from township enterprises to some extent, which used

industry to supplement and develop agriculture. The negative effect of township enterprises on agricultural production was due mainly to environmental pollution, which harms the agricultural ecological environment. The difference between industrial and agricultural comparative advantages has become evident, and has reduced farmers' enthusiasm for growing commodity grains. To counter the above-mentioned problems, comrades at the meeting suggested coordinating the following aspects in the relationship between agricultural production and township enterprises.

1. The economic situation in China depends mainly on the agricultural situation, and the agricultural situation depends mainly on grain production. The development of township enterprises must be based on agriculture. This is essential in order for township enterprises to exist and develop. Historically, the quantitative conception for the coordinated development between agriculture and township enterprises has been that the ratio of the rates of development between agriculture and township enterprises should be between 1:2 and 1:2.5. That is, if the average rate of development for agriculture is four percent each year, then the appropriate rate of development for township enterprises should be eight to 10 percent.
2. Apart from the eastern coastal areas, which have large populations, less land, and relatively poor natural resources, most regions in the middle and western parts of China are encouraged to develop township enterprises based on agriculture. They should not blindly develop general processing industries without considering the real situation.
3. We must pay more attention to the pollution problem when developing township enterprises. Township enterprises are located in many places and are spread over the countryside. Once pollution occurs, it spreads and is difficult to control. We cannot think only about the immediate interests without considering the harm pollution will bring to future generations. The pollution problem caused by township enterprises must be resolutely controlled through both legal and administrative means.
4. Measures must be taken to change the situation in rural collective investment in recent years, in which the proportion of agricultural investment declined while investment in township enterprises rose each year. Regulations on how to distribute township enterprises' profits must be drawn up, so that we can use industry to supplement and develop agriculture.

### **III. Issues on the Relationship Between Urban and Rural Industries**

[passage omitted] There are two views on coordinating development between urban and rural industries.

One view is that the key to coordinating development between urban and rural industries is to have a clear division of labor and good coordination between urban

and rural industries. Because there has been no clear division of labor, township enterprises have become an all-encompassing industrial production complex. As a general rule, processing of agricultural products should be carried out mainly by farmers. However, 80 percent of the industrial production which uses mainly agricultural products as raw materials is concentrated in urban areas. Peasants produce agricultural products, but they do not have agricultural processing materials, so they have to obtain industrial resources from the cities. As a result, we have the unusual situation in which agricultural resources flow to the city and urban industrial resources flow to the countryside. Agricultural processing industries develop very slowly in rural areas. For years, urban and rural industries have fought for industrial resources. In essence, it is a fight for agricultural products. If urban and rural industries do not resolve the problem and have a clear division of industrial labor and good coordination, the contradictions and friction between urban and rural industries will expand further. The comrades who hold this view presented two principles for dividing labor between urban and rural industries according to their respective advantages. The first principle states that, since urban industry has financial, manpower, and technological advantages, it should develop high-technology and new industries which are capital- and technology-intensive. General processing industries and agricultural product processing industries can be moved to the countryside and handled by peasants. The second principle states that, according to the stages of industrial processing, urban industry is responsible for the production and final processing of some products, and rural industry is responsible for preliminary processing. Urban industry produces complete products while rural industry produces the components. Urban and rural industries should divide their labor and coordinate so that they can specialize their production.

The other view holds that the solution to coordinated development between urban and rural industries is not division of labor but the integrated development of urban and rural industries. Due to historical and institutional reasons, urban and rural industries in China have existed separately for a long time. Urban areas developed certain industries, and rural areas also developed their own industries. The countryside developed some of the same industries that the cities did, and vice versa. Township enterprises were not included in urban industrial development plans, and urban industrial development plans did not take into account the productive capacity of rural industry. This resulted in a situation where an excess and a shortage of products and industrial production capacity coexisted. General processing industries expanded blindly, and contradictions in the industrial structures became very obvious. In order to end this confusing situation, we must overcome the barriers between city and countryside, as well as the dividing lines between various forms of ownership. There should be unified planning, layout, and management according to industries and products.

#### **IV. The Issue of Adjusting the Industrial Structure of Township Enterprises**

[passage omitted] 1. Adjustments to the industrial structure of township enterprises must be based on the premises that adjustments will strengthen agriculture and benefit agriculture's benign cycle, and that they will be centered on both pre- and post-agricultural production services.

2. Different areas should choose their industrial structures according to their own characteristics, advantages, and local conditions. On the whole, township enterprises should focus mainly on labor-intensive activities based on the advantages offered by local resources, as well as on traditional craft advantages. If they are suited to developing agriculture, then they should develop agriculture; if they are suited to developing industry, then they should develop industry. We should not blindly develop general processing industries.

3. Many in-depth and complicated reasons have given rise to the present problems in the industrial structures of township enterprises. These reasons include problems created by the enterprises themselves, as well as problems related to the system, local interests, urban-rural interests, and a historically irrational industrial layout. Therefore, it is not a good idea to have township enterprises operate on a large scale. Rather, we should have a gradual adjustment by distinguishing different circumstances, and by handling the easy problems first and then handling the difficult ones. At present, we must strictly control the increases according to the industrial structure, and base existing adjustments on the product structure.

4. Adjusting industrial structures is in essence a question of technological progress. Adjusting both the industrial and product structures requires certain technological conditions. Technological progress is a long-term process, and cannot be achieved overnight. This means that adjusting township enterprises' industrial structures is also a long-term task. In the overall process of developing township enterprises, we must always put technological progress first. We suggest that the state also take the technological progress of township enterprises into consideration as it stresses promoting the technological progress of large and medium-sized state-owned enterprises.

#### **V. The Issue of Township Enterprises and Surplus Agricultural Labor**

Comrades present at the meeting felt that Chinese agriculture faces two great problems. One is a shortage of agricultural products, and the other is a serious surplus of agricultural labor. These two problems are closely related. If we only handle the shortage of agricultural products and neglect the problem of surplus agricultural labor, we cannot end the stagnation in agricultural production. According to statistical predictions, there will be an average increase of nine million new laborers annually during the Eighth Five-Plan, and an average

increase of seven million new laborers annually during the Ninth Five-Year Plan. By the end of the century, China will have 500 million agricultural laborers. Only about 200 million of them can be absorbed by agriculture, while township enterprises can absorb 140 million; this still leaves about 160 million laborers. From now on, the pressure of the rural population will surpass that of the urban population. If we cannot handle this problem properly, we will have serious social problems. According to the general law of economic development, the fundamental solution to surplus agricultural labor is de-agriculturalization. In China, the way to possibly achieve this is by developing township enterprises. Township enterprises play an irreplaceable role in de-agriculturalizing surplus agricultural labor and in stabilizing rural areas, the economy, and the overall situation. From this perspective, from now on we must integrate the development of township enterprises with rural town planning, and expand small rural towns' capacities to accommodate larger populations.

The comrades presented two scenarios for integrating township enterprise development with the construction of small rural towns.

1. To promote the systematic construction of small rural towns, township enterprises should concentrate on small rural towns when appropriate. The comrades who hold this view argue that the term rural industrialization is unscientific: the countryside cannot be industrialized, for then it would not be the countryside. We can only talk about national industrialization. At present, every village is setting up enterprises, which seriously wastes land and intensifies pollution. This not only affects agriculture, but also blocks the further development and upgrading of township enterprises. We should consider concentrating township enterprises in small rural towns and county seats. The development of township enterprises could raise the average populations in 2,000 county seats to 50,000, and raise the average populations in 50,000 small rural towns to 20,000. This could account for a total of 200 million laborers. If this plan is fulfilled, the problem of surplus agricultural labor could be largely resolved.

2. The incremental transfer strategy. We should have an interrelated set of reforms which correspond to the characteristics of different industries and regions. We should guide township enterprises into concentrating on small rural towns, and expand the small towns' capacities to hold larger populations. Thus, along with the economic development, the population will gradually migrate to county seats and small and medium-sized cities.

#### **Development Viewed in Eastern Rural Industries**

*OW1911151490 Beijing XINHUA in English  
1442 GMT 19 Nov 90*

[“Roundup: East China's Rural Industry Sees Steady Development”—XINHUA headline]

[Text] Beijing, November 19 (XINHUA)—Rural enterprises in east China produced a total of 260 billion yuan

(about 50 billion U.S. dollars) in the first ten months of this year, an increase of 13 percent over the same period last year and higher than the national average, according to the Ministry of Agriculture.

In this area are Shandong, Zhejiang, Jiangsu, Jiangxi, Fujian and Anhui Provinces, and Shanghai Municipality.

Statistics show that these provinces and outskirts of Shanghai produced half of China's rural enterprise output value last year.

Since the beginning of this year the rural enterprises in east China have made great efforts to produce new items and push ahead with technical innovation, as readjustment of the product mix is on top of the agenda for rural enterprises throughout the country, an official from the ministry said.

In the coastal province of Fujian, he pointed out, 76.9 percent of the rural enterprises are now found conforming to the state industrial policy and general objectives for rural development, 22.4 percent of them need further guidance and 0.7 percent should be closed down.

On the outskirts of Shanghai, 138 kinds of new products were developed last year and more are expected this year. In Shandong Province 1,200 new products were developed in the first half of this year, with some attaining the national or provincial advanced level.

With the overheated development of the domestic processing industry in the past few years, rural enterprises in the eastern provinces have had to seek new markets abroad, an expert specializing in rural enterprise research explained.

A provincial official said Fujian has added over 1,000 export-oriented rural enterprises this year. The province had made use of 320 million U.S. dollars in foreign investment in running over 700 foreign-funded enterprises over the years, he said.

Now, Jiangsu has over 4,000 export-oriented rural enterprises. Exports of machinery and electronics products by the province in the first half of this year increased by 1.2 times over the same period last year.

Zhejiang Province has this year expanded the list of rural enterprises which have the right to deal directly with foreign businessmen.

## CONSTRUCTION

### Project Reviews Improve Construction Efficiency

OW1911182890 Beijing Domestic Service in Mandarin  
2230 GMT 18 Nov 90

[Text] China has adopted the principle of conducting review before making any decisions on large- and medium-scale capital construction projects or special technical renovation projects and has formally made

engineering consultation part of the decisionmaking process. Years of practice prove that these measures have been conducive to making democratic and scientific decisions. They have played an increasingly important role in perfecting construction programs, reducing and avoiding miscalculation in making decisions, and enhancing investment results.

With the State Council's approval, China has begun review of all new key construction projects since 1986. The China International Engineering Consulting Corporation, which provides consultative services to domestic and overseas clients on construction projects, has been doing the review and consultation in compliance with the State Council's request. Over the four and one-half years from 1986 to the first half of this year, the corporation has reviewed and advised on 608 construction projects, which had a combined investment of 344.3 billion yuan. Of those reviewed, it suggested cancellation or postponement of 31 projects, with a total investment of 11.3 billion yuan, on the grounds that they either lacked proper conditions, were not well designed, or had poor economic results. The corporation has proposed revision and readjustment of 368 projects which were not properly planned, thus helping cut their expenses. It has proposed ways to handle 107 trouble-ridden projects. It also has suggested that 8 billion yuan be added to the budgets of 162 projects on the grounds that their designs were inadequate and thus additional expenditures were incurred, or because of price hikes and other reasons.

At present, the China International Engineering Consulting Corporation has expanded its business from project review to monographic study, to offering consultative services throughout the construction of projects as well as evaluation on completion, and to consultation on regional planning. It has also begun consultative services for overseas projects.

### Capital Construction Investment by Sector

HK0711095990 Beijing CEI Database in English  
7 Nov 90

[Text] Beijing (CEI)—Following is a list of capital construction investment by sectors in the first three quarters of 1990, released by CSICSC [China Statistics Information Consultancy Service Center]:

Sectors	(In 100 Million Yuan)	
	1-9/90	1-9/89
Farming, Forestry, Husbandry, Fishery and Water Conservancy	31.74	33.22
Industries	492.48	442.44
Geology, Construction	8	
Transport, Post, Telecom	115.54	100.27

Sectors	(In 100 Million Yuan)	
	1.9/90	1.9/89
Commerce, Food, and Storage	21.43	23.87
Real Estate and Public Utility Consultancy	43.96	25.72
Education, Public Health and Broadcasting	62.58	44.62
Science and Research	8.44	2.88
Finance and Insurance	5.92	7.18
Others	62.35	77.93

## FOREIGN TRADE, INVESTMENT

### MOFERT To Check Export-License Abuses

91CE0081A Beijing GUOJI SHANGBAO in Chinese  
9 Oct 90 p 2

[Article by reporter Li Hongmei (2621 4767 2734): "MOFERT Tightens Control Over Export Licenses"]

[Text] Focusing on the problem of the constant occurrence of cases in which licenses are resold at a profit, the Ministry of Foreign Economic Relations and Trade [MOFERT] intends to take more steps to tighten its control over export licenses, enforce law and discipline, and firmly put a stop to the practice of reselling licenses at a profit.

Since China restored the control of export licenses in 1980, this control has played an important role in maintaining order in exports and in promoting foreign trade. The issuance of licenses is not only an important measure taken by the state to regulate and control foreign economic activities; it is also one of the bases for customs control and for the legal import and export of goods, and to a certain degree it represents a measure taken by the state to insure that export enterprises complete their tasks. According to regulations, after an exporting unit gets a license, it cannot ship out goods right away and after using the license must immediately return it to the license-issuing body. However, in foreign economic and trade activities some enterprises, in pursuit of the interests of their own local area and local department, ignore the serious nature of the license, make the license issued by the state a medium of exchange, and resell the license at a profit. This illegal activity is not only encouraged by some local foreign trade enterprises; there are also individual corporations specializing in foreign trade that encourage this practice under the signboard of "cooperation" and "joint operation." Violating law and discipline, some scoundrels forge and resell licenses at a profit, or make fraudulent use of licenses, in order to obtain huge profits quickly. There are also some enterprises that draw up fraudulent contracts and get licenses by trickery. All of these actions

harm the state's overall interests. For a year now, while constantly perfecting its rules and regulations, MOFERT has been closely following this trend. It has dealt with the case in which the company in Shenzhen under the Hunan Grain and Oil Foodstuffs Group resold at a profit frozen pork export licenses and forged commodity inspection clearance lists; investigated and dealt with the case in which the Taiping Agricultural, Industrial, and Commercial Development Corporation of Linli County in Hunan Province falsely reported its commodities to get licences and then pounded the Hong Kong market with water-damaged goods; revoked the business permit of the Shenzhen Management Department of the China National Livestock and Poultry Products Corporation because it had resold live hog licenses at a profit; and investigated and dealt with the case in which the Jilin Provincial Light Industrial Products Import and Export Corporation and the China National Nonferrous Metal Products Import and Export Corporation had forged contracts to get licenses. In addition, the ministry has examined the way some units that have licences use them, and individual cases of illegal resale and fraud are being turned over to judicial organs for investigation and handling. Within a certain range, administrative and economic punitive measures have been taken against some enterprises, such as circulating notices of criticism, suspending permits to do certain kinds of export business, and taking foreign exchange from them. These measures have obtained fairly good results.

MOFERT has made prevention and punishment of acts of reselling licenses at a profit an important task in the rectification of order in foreign trade, and it intends to take further steps with regard to the problems now existing in foreign economic activity. First, it will draw up the relevant laws and regulations, make clear the demarcation lines around acts that constitute cases of reselling licenses at a profit, formulate punitive measures, and bring about a situation in which there are laws and regulations to depend upon and to follow. Second, it will standardize the operational links in license control. Each license-issuing organization must strictly enforce the procedures for overlapping checks on license issuance and the rules and regulations for post-verification cancellation, set up files on export enterprises, and collate the operating scope, commodity catalogues, and export history of the units that approve applications and grant licenses. Third, it will enhance comprehensive analysis and research, improve the quality of information that is fed back, and devise methods for tracking licenses. Fourth, it will further enhance and perfect the systems of "one batch, one license" and of examinations and checks, the coordination with customs, and the standardization of license coding.

## ECONOMIC ZONES

### Investment, Trade 'Flourishing' in Northeast Region

91P30043A Beijing JINGJI CANKAO in Chinese  
13 Sep 90 p 2

[Text] The Northeast Economic Zone, known for its name "white mountains and deep waters" and uniquely

characterized as "advancing from the south and breaking through from the north," is taking shape.

The Northeast Economic Zone includes the provinces of Liaoning, Jilin, and Heilongjiang, and three leagues and one city in eastern Inner Mongolia Autonomous Region. It is bordered on the south by the Bo Hai and Yellow Sea, the port of Dalian is at its center, and it includes a cluster of inland and coastal ports, at Yingkou, Dandong, and Jinzhou. Bordered by the Soviet Union to the north, Mongolia to the west, and Korea to the east, this economic zone has few coastal ports but many inland ports. In 1988 the Northeast Economic Zone entered a new stage of development known as "opening wide the two great southern and northern doors for simultaneous development of the coastal and interior regions."

From south to north, the Northeast Economic Zone has set up eight externally oriented demonstration zones: Dalian Economic and Technical Development Zone, Yingkou Mackerel Export Processing Zone, and Shenyang Tiexi Industrial Transformation Zone, all in Liaoning; Hunchun Economic Development Zone in Jilin's Yanbian Chaoxian Autonomous Prefecture; three experimental zones to "revamp the economy in the border regions through open trade" in Heilongjiang's Suiyuan, Heihe, and Tongjiang cities; and the "reform, opening up, and development" three-in-one experimental zone in Inner Mongolia's Hulun Buir League.

The Northeast Economic Zone's export trade amounted to over \$6 billion in 1989, one-seventh of the nation's total exports. Exports of local specialty products grew particularly rapidly, representing an emerging new force. According to statistics from Liaoning, Jilin, and Heilongjiang, exports of local products last year totaled \$3.818 billion, a net increase of \$945 million over 1987. Although the Northeast Economic Zone got a late start in the area of foreign investment, in the past two years, with the Liaodong Peninsula leading the way, investment has gradually extended into the interior with promising prospects for further development. Statistics show that cumulative foreign investment in the zone as of June 1990 exceeded \$6 billion, with the amount invested since 1988 surpassing that of the previous several years. Currently there are more than 1,100 foreign-invested enterprises in the zone, of which 917 are located in Liaoning.

Like the coastline of southern China, the extensive border region of the Northeast Economic Zone is experiencing flourishing trade and foreign economic and technical cooperation. According to statistics, one-way trade between the Soviet Union and Heilongjiang, Jilin, and eastern Inner Mongolia last year amounted to 750 million Swiss francs [\$581 million]. Two-way barter trade between these areas and Korea came to 220 million Swiss francs [\$171 million]. The volume of business transacted by Heilongjiang and Jilin Provinces at this June's Soviet Union-East Europe trade talks in Harbin accounted for 90 percent of all business transacted. The

border trade and foreign economic and technical cooperation now beginning to flourish is playing an increasingly significant role in the opening of the Northeast Economic Zone to the outside world.

## LABOR

### Discussion of Unemployment, Job Security Fund

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[Text] Recently, an extremely prominent phenomenon in China's economic life reemerged: A large number of peasant workers who had gone to urban areas, suddenly lost their original jobs, and were looking for new ones. Meanwhile, quite a number of urban laborers also had difficulty finding a job because of the suspended or partially suspended production of enterprises. This situation has thus become a very thorny issue; we must study unemployment under socialist conditions, and its countermeasures. Under socialist conditions, is unemployment an inevitable phenomenon or an incidental one? If it is an inevitable one, how should we deal with it? What attitude should we take regarding the functions and significance of unemployment under socialist economic operations? How should we provide effective guarantees to the unemployed regarding their basic livelihood, without undermining their efficiency, which is the precondition, and so forth? The objective of this article is to make a preliminary study of these questions, hoping that the research departments will attach importance to, and conduct discussions on the matters.

#### I. The Inevitability of the Phenomenon of Unemployment Under Socialist Conditions

Until recently, in the study of China's economic theory, unemployment—being a socioeconomic phenomenon—was always regarded as a special product of the capitalist system, and was not related to a socialist society; that was just one of the advantages of the socialist system over the capitalist one. Even though there was unemployment in socialist countries, we simply regarded it as incidental and transient phenomena. For instance, it was generally held that unemployment in the urban population shortly after the liberation of China was caused by the destruction of the domestic economy, and the sharp drop in its employment capacity, after the protracted wars. Also, it was generally held that a large number of urban workers became unemployed and were mobilized to the rural areas mainly because of mistakes made in decisions regarding the 1958 Great Leap Forward policy; and that the number of unemployed in urban areas increased in the late 1970's mainly because a large number of intellectuals and youths in rural areas

returned to the urban areas. Regarding the recent increase of unemployed in cities over the past year and more, many people interpreted it as a short-term result of the work of rectification and consolidation. Furthermore, many scholars interpreted China's current phenomenon of unemployment from the viewpoint that we made mistakes in our population policy. Undoubtedly, there were grounds for these interpretations. However, their views indicated a common assumption, that is, unemployment is not an inevitable phenomenon in the course of our socialist economic operations. Instead, it is an incidental result of certain specific historical reasons, namely, the socialist system and unemployment are incompatible. This viewpoint was further proved by our labor-employment system, which was marked by "unified contracting and purchase," "iron rice bowl," and "life-long appointment," and its resulting false impression of "full employment."

However, I hold that unemployment is an economic phenomenon; that is, a dislocation of aggregate volume and composition of labor demand and supply. This phenomenon is not a special product of capitalism. Rather, it is a phenomenon commonly shared by all developed commodity economies (that is, commodity economies that base themselves on socialized large-scale production). A socialized large-scale production, as well as the commodity economy, which bases itself on such production and economy, are two fundamental reasons for unemployment. However, the socialist economy is simply a planned commodity economy built on the basis of socialized large-scale production. Though a socialist country may use its national economy, social development plans, and relevant economic, administrative, and legal means to readjust relations between the supply and demand of labor force, and natural resources available in society; and may rationally deploy the labor force and resources of society, it is impossible for such a country to always maintain the two in a perfectly balanced state. Any change in either the economic or technical factor, or macroeconomic or microeconomic factor may upset the originally balanced relations between labor supply and demand, thereby developing unemployment. There are many factors in this respects, and the major ones are:

First, the factor of changes in the scale of macroeconomic operations. It is the same as in the case mentioned above. Unemployment is a dislocation of the supply and demand of the labor force, and is an indication that the supply exceeds the demand. Therefore, given a specific time, whether or not unemployment develops, and whether or not the level of unemployment is low, are determined by the issues of whether or not, and to what extent, two variables, the supply and demand of the labor force, are dislocated. However, since there will not be any large-scale change in the short run in various factors that determine the supply of the labor force, such as the total population and its growth rate, changes in these factors; the proportion of working population to the total population; and the level of labor productivity, changes in the supply of the labor force are, in the short

run, generally rather steady and systematic. It may thus be regarded as constant. Therefore, the balance in supply and demand of the labor force is mainly determined by the level of such demand, and changes in the level. Given a specific period of time, unemployment will develop or be intensified if the demand is reduced or the growth of the labor force is insufficient. In the final analysis, the demand in society for the labor force, and changes in such demand, are determined by the scale of overall economic operations. The greater the demand in society for products and services, the larger the scale of production, as well as economic operations of society, and there will be a greater demand for labor force. On the other hand, the demand for products and services, as well as labor force, could be reduced. This makes it inevitable that the scale of macroeconomic operations, and changes in such a scale determine the first economic factor regarding the balance in supply and demand for labor force, and the level of unemployment. Unemployment will not develop when the scale of macroeconomic operations, and the employment capacity determined by such a scale, are consistent with the supply of labor force, which is determined by the level of labor productivity. However, if the former is smaller than the latter, or if the expansion rate of the former cannot catch up with the growth rate of the latter, it is inevitable that unemployment will develop or be intensified. Even under socialist conditions, any planned readjustment cannot guarantee that the two will always be consistent with each other. Therefore, it becomes inevitable that unemployment develops.

Second, the composition of industries, and the influence of changes in such composition. The proportion of production factors required by different composition of industries are different from each other. Similarly, the amount of job opportunities available in society is different even when we maintain the same economic scale. Generally speaking, when the proportion of technology- or capital-intensive industrial department in the economy of a particular country gets larger, the demand in the same economy for labor force is reduced. On the other hand, when the proportion of labor-intensive industrial department gets larger, the demand in the same economy for the labor force increases. For instance, under the condition that the investment input or output (on the basis of output value) remains unchanged, the labor force required by the manufacturing department is lower than that of the service department. Likewise, such demand for labor force by the heavy industry of the manufacturing department is lower than that of light industry. Thus, we can see that even though the overall scale of macroeconomic operations remains unchanged, it may still affect the overall balance in supply and demand of labor force because of changes in its composition. When such change in composition develops in the direction of switching from labor-intensive industries to capital- or technology-intensive ones, it is possible that unemployment will develop if the supply of labor force remains unchanged, or if the demand for labor force is reduced.

Third, the breakthrough and progress in technology is another reason for the possible development of unemployment under socialist conditions. On the one hand, significant breakthroughs and progress in technology may, through the process of industrialization of such achievements, cause a readjustment of, and changes in the composition of the economy, thereby upsetting the balance in supply and demand of the labor force which is based on the original composition of the economy. On the other, the progress of technology further promotes a more flexible arrangement of capital in society; and encourages the substitution and replacement of the factor of labor force by materialized production factors, such as capital and equipment. These two phenomena may reduce the demand for labor, thereby developing or intensifying the level of unemployment. Indeed, when the demand for labor force is reduced in certain departments as a result of technological breakthroughs and progress, it is possible that the demand for labor force in other departments that manufacture new equipment, and departments that offer services relating to the promotion and application of new equipment and new technology will, through their own development, be increased. Nevertheless, it is impossible for the rate of reduction to equal that of increase. It is thus inevitable that unemployment will develop, or be intensified, when the influence of conservation of labor force caused by the progress in technology is greater than the demand for more labor force.

Fourth, the development, and the level, of unemployment are also affected by inharmonious composition of supply and demand of labor. The supply of, or demand for, labor comprises different specific types and levels of labor. When the two sides completely match each other, supply and demand are in harmony. Otherwise, unemployment develops even though the overall volume is a balanced one. Furthermore, there may be unemployment accompanied by the existence of job vacancies. As a result of the constant rise of new technology and new industrial departments in these days when we are undergoing the new technological revolution, socioeconomic operations require laborers who received better education and have better technological knowledge. Moreover, the categories of jobs are growing, and differences among them are getting wider because of the increasingly meticulous division of labor among industries. Therefore, the composition of labor demanded in society is getting more complicated. It is gradually becoming a common phenomenon that the composition of labor supplied is incompatible with that demanded, and unemployment arising therefrom is becoming common. This has been proved by a host of facts in China and abroad.

Fifth, the functions and influence of competition. Under socialist conditions, the development and existence of unemployment are also closely related to competition under socialist commodity economy conditions, the behavior of enterprises in competition, and the results of competition. In the course of competition, in order to maintain and constantly enhance its advantages, an

enterprise cannot but often adopt measures that rationalize its production; constantly cut its cost of raw material consumption in production; and always readjust the input level of animate labor according to its scale of production and business, as well as its technological level, and cut its wage costs to the lowest possible level by cutting down the number of staff. It is inevitable that such an approach taken by enterprises in competition may cause some staff to lose their posts one after another and become unemployed. Meanwhile, it is inevitable that the result of competition will be the survival of the fittest, and that some backward enterprises will be eliminated or go bankrupt, thereby causing workers of such enterprises to lose their jobs.

Sixth, selection of jobs by individual workers, and the influence of their actions regarding the changing of jobs, in the process of employment. In fact, the process of employment is a process in which the supply side and the demand side of labor select each other. During this process, the demand side, that is, the unit recruiting workers, must select its candidates according to particular requirements; whereas the supply side, that is, the applicant, also selects a job according to its own requirements, and it is not necessary that such job selection must be successful. Unemployment may develop when jobs available in society, or when chances of getting a job known to the applicants in question, do not conform to their expectations, and they refuse to reluctantly accept the jobs.

The above analysis indicates that under socialist conditions, unemployment is not just an incidental phenomenon caused by certain historical reasons or mistakes in decisionmaking. Rather, it is an inevitable result determined by a series of inherent causes in the course of socioeconomic operations under socialism. So-called "in-service unemployment" and "job-sharing" are just a hidden form of unemployment.

It must be pointed out that Marx analyzed in "Kapital" that unemployment under socialist conditions was completely different from that of a capitalist nature. It is thus an economic phenomenon caused by the factors mentioned above, rather than such unemployment marked with a capitalist nature.

## II. Functions of the Phenomenon of Unemployment in Socialist Economic Operations

For a long time in the past, many people held that unemployment was incompatible with a socialist society, and in practice, they preferred to maintain a superficial state of "full employment" at the expense of economic efficiency. This is closely related to their misunderstanding concerning the functions and significance of unemployment in the course of socialist economic operations, in addition to the theory that took unemployment as parallel to the capitalist system. On the economic functions of unemployment, people often analyzed by proceeding from the negative side, and seldom did so from the positive side. They often took

unemployment as a substitution for "poverty" and "unfair distribution," or a synonym for social instability. It seemed that so long as there was unemployment, it would inevitably bring about chaos in the social order. It should be acknowledged that this is a justified point of view, though it is not a comprehensive one. In fact, unemployment also has its distinct positive functions in socioeconomic life. In particular, these functions cannot be replaced by other factors in terms of improving economic efficiency. The major manifestations of these functions are: First, unemployment may provide a powerful driving force for comprehensively improving the quality of laborers. The issue of how to improve the quality of all laborers and, on that basis, how to build a solid foundation for remarkably improving continuous socialist economic development and improving economic efficiency was, and is still, a significant one faced by socialist countries in their economic construction. The report of the 13th CPC Congress explicitly pointed out that we must switch economic development onto the track of depending on progress in science and technology and the improvement of laborers' quality. In order to achieve this goal, the socialist countries have conducted long-term explorations in various aspects, and tried various means to politically mobilize and encourage the masses, such as mass movements, education about pacifiers, and different kinds of emulation drives to improve their knowledge about culture, science and technology, and so forth. Moreover, in order to stimulate their initiative in improving their own quality, China recently attempted to award better posts and higher wages to laborers who received better education and better technological and professional skills. Nevertheless, these measures did not yield the expected results. There was no fundamental change in the state of backwardness of the laborers' quality. Furthermore, certain actions of pursuing quick success and instant benefits have gained ground among some laborers in both urban and rural areas. For instance, in recent years, a large number of students have dropped out from secondary and primary school in the rural areas in order to earn money as soon as possible; and secondary school graduates in some cities prefer attending classes in polytechnic schools or vocational colleges, or even awaiting jobs at home rather than attending classes in universities, in order to stay in those large cities. There are various reasons contributing to this phenomenon. But the most significant and the most direct is that for a long time in the past, we checked and negated the mechanism of unemployment. This is because unemployment is the most effective mechanism forcing laborers to care about themselves, and to actively improve their own quality. Under socialist conditions, the revenue derived from labor, that is, the income of the individual laborer, is the main source and basis of his personal (including his dependents') livelihood. In order to obtain a certain level of reward or income, a laborer must get a particular job. Only thus can his labor be realized, and can his labor reward or income be created. To a laborer, therefore, it becomes decisively significant that he must get a particular job. Nevertheless, it is just this fundamental point

that requires the laborer in question to take risks. Being a powerful external binding force, such risks mean that the laborer cannot but care about himself, and try all possible means (including the input of necessary time and funds) to voluntarily improve and enhance his education background and technological and professional quality, so as to strive for success in the keen competition for jobs. This is the first positive function of unemployment in the socialist economic operations.

Second, unemployment is also an effective means to bind the actions of those in employment, so as to promote a continuous improvement of the internal management of socialist enterprises. To reform the management system of enterprises so as to boost their vitality is an important aspect and objective of economic structural reform in socialist countries. Many scholars held that the fundamental cause for having a poor management level and poor management efficiency in socialist enterprises was the existence of "perfunctory rights of property" among enterprises, so that the binding force of enterprises regarding their property was weakened. As the administrator of an enterprise was not the one who undertook the final responsibility for the profit and loss of the enterprise's assets, or the extent of such profits and losses, this encouraged him to take business and management actions not conforming to the norms. This analysis indeed pointed out an important cause for backward management in, and incorrect actions by, socialist enterprises. Nevertheless, this is not a comprehensive analysis. It neglects another important cause, namely, the issue of poor management efficiency brought about by the erroneous actions of the enterprises in question, which are the direct producers. In many cases, the level of enterprise management efficiency is not determined by the incorrect actions of the administrator himself, or by the lack of driving force for management. Rather, it is a result of ineffective implementation and enforcement of relevant administrative decisions and measures. For instance, an administrator does not have an effective binding mechanism or means, or have the power to fire or dismiss a worker who has expressly violated discipline, works slowly, makes excessive wage demands, and so on. Also, such an administrator dare not make such a decision because he cannot find an effective way of replacement on the market. Therefore, it is inevitable that the management level becomes backward and the efficiency becomes poor. So, how can we put an end to this situation?

I hold that we may make use of the mechanism of unemployment; and may allow the existence of many applicants or business competitors in the external environment of enterprises, which may join in, or merge with, such enterprises and take over their work at any time, in addition to introducing the mechanism of property risks (subject to a legitimate precondition that the personal interests of the business operator, or administrator, in question are linked to the business and management of enterprises), and using property risks to bind the acts of business operators and administrators. This

thus objectively creates a powerful psychological pressure on those in employment, and forces them to voluntarily set limits to their demands and acts in order to safeguard their jobs. When it is necessary, enterprises may also use compulsory means, such as firing and dismissing them, to bind the acts of their workers. Objectively, the use of unemployment as an economic mechanism can rectify the acts of enterprise-producers and promote a continuous improvement of internal management work and the management efficiency of enterprises.

Third, unemployment may also provide an effective guarantee for reducing and rationalizing the wage costs of enterprises. According to statistics, by the end of 1989, China's annual amount of monetary wages (including bonuses and allowances) received by urban workers was only 1,950 yuan,<sup>1</sup> only \$400 and more, which was far below the level of developed capitalist countries, and less than the level of certain newly industrialized countries and regions. As of this moment, however, the advantage of low wages has neither been reflected in the cost or the price of products made by such enterprises, nor transformed into a real economic advantage. In the cost of our products, the level of wage costs is not proportionally lower than that of the developed countries. On the contrary, it is higher than certain developed countries. For example, though our average wage level is much lower than that of Japan, our proportion of costs in the form of wages to the total cost of such products is over 15 percent, or two percent more than that of Japan, which is 13 percent.<sup>2</sup> Of course, there are various reasons for this phenomenon. For example, there are differences in the amounts of capital and the degree of technology intensiveness in the composition of costs as a result of differences in the fixed assets held by each person, and so forth. Nevertheless, the most important reason is directly related to the fact that we have long been negating the mechanism of unemployment. Under the circumstances that China maintained "full employment," there was a large volume of surplus labor (in terms of urban areas), so that many enterprises had to shoulder from the date they were established the burden of having too many staff and excessively high wage costs. Meanwhile, due to the constraints of a lifelong employment system, enterprises could not promptly reduce the number of, or dismiss redundant staff in the wake of changes in their scale of operations, in particular, at such time when they wanted to temporarily reduce their scale of operations or when there was progress in technology. Even if their initial amount of labor input and wage costs were rational, they would eventually become irrational, and developed such special phenomena as "in-service unemployment" or "paid unemployment" among the staff. It has been estimated that in China this phenomenon covers as many as 20 million, or even more than 30 million workers.<sup>3</sup> With such an excessive gross amount of labor, and excessively high wage costs, China's advantage in terms of average wage level is thus offset. Also, it is so absurd that the level of wage costs apportioned to

each product is higher than that of the developed countries where the wages are higher. The above situation will certainly not develop if we allow enterprises to promptly readjust their organization size in the wake of changes in their scale of operations and progress made in technology, and allow redundant workers to promptly dissociate themselves from such enterprises. Thus, we can see that under socialist conditions, unemployment objectively plays the role of a "reservoir of labor" or an "automatic regulator" of the wage costs of enterprises, which may help enterprises always maintain a rational proportion between the number of workers, or the level of wage costs, and their production scale.

Fourth, unemployment is also a prerequisite for readjusting the reserves of resources, and optimizing the economic structure, in a socialist country. Only today do most socialist countries readjust, change, and optimize their national economic structure mainly by readjusting the distribution of their resources. Under the conditions of economic and technological development and market changes, it is very difficult to redistribute or readjust such reserves of resources which have been input into various departments or enterprises, and have been turned into production capacity. This is the "barrier" as well as an "obstacle" for readjustment of the economic structure under socialist conditions. Some scholars call this "barrier" and obstacle the rigidity of reserves.

One cause of this obstacle is difficulty in transferring property rights resulting from the separation of regions and departments, and ownership by departments. However, the remote cause is the "lifelong employment system," and the "iron rice bowl" under the traditional labor and employment system, and that we artificially suppress and negate unemployment. As we do not allow the existence of unemployment, a substantial quantity of capital, equipment, plant, raw materials, energy resources, and so forth are, in the course of structural readjustment, held up by backward enterprises because they are unable to tackle the issue of resettlement of their workers, and it is not possible to transfer such resources to advanced enterprises or departments producing goods in short supply. Merging of enterprises is an important way of readjusting and optimizing the structure of enterprises. However, this practice is also affected because of resettlement of workers hired by the merged enterprise in question. Though the bankruptcy law is a legal means for transferring resources and optimizing the structure, it also cannot be truly enforced because of the employment of workers hired by the bankrupt enterprise. Consequently, many precious resources were still being held up by backward enterprises or departments producing oversupplied goods. Thus, we can see that job rigidity is the most difficult obstacle, as well as the genuine profound reason for readjusting resources, and optimizing the economic structure in a socialist country. In order to really put an end to this situation, we must get rid of the practice of ownership by departments and the separation of regions and departments. While creating conditions for the transfer of property rights, we should resolutely

get rid of the lifelong employment system, and create the necessary preconditions for continuous optimization of economic structure by transferring assets held up by backward or bankrupt enterprises.

Fifth, unemployment is also an important lever for dealing with laborers' excessive choosiness in employment, promoting the flow of labor resources to departments producing goods in short supply, and rationalizing the optimization of labor resources. Since different jobs are objectively different in terms of labor intensity, level of safety and income, and social status, there is a world of difference in terms of attractiveness among various departments and jobs. At present, we still cannot find a better solution to the issue of how to guide the flow of labor to those departments producing goods in short supply, and to realize a rationalized arrangement of labor resources. For instance, in China's cities, there are, on the one hand, several million newcomers joining the labor force each year and waiting for employment, and as many as 20 to 30 million workers in a state of "in-service unemployment." On the other hand, there are as many as 35 million and more jobs left vacant, and nobody cares about this.<sup>4</sup> Thus, there has developed an irrational phenomenon whereby unemployed laborers at the lower level coexist with job vacancies. This phenomenon will simply become impossible if we openly acknowledge the status of unemployment. This is because the choice that one "either takes this job or does nothing," which is caused by unemployment, will become a powerful mechanism binding the laborers' selection of jobs. Therefore, laborers who do not succeed in getting a highly attractive job in the competition are forced to pick jobs which are comparatively less attractive, and in those departments producing goods in short supply. This thus realizes the goal of optimizing the distribution of labor resources.

### III. Countermeasures

To acknowledge the positive functions of unemployment does not mean that unemployment is good for us, still less do we mean that the higher the unemployment level is the better, or that we may let things develop in their natural course. In the final analysis, unemployment indicates a waste of labor resources, and the income of the unemployed drops and is lower than that of those in employment. This situation conforms to neither the principle of fully utilizing all resources, nor the principle of developing the socialist economy. It also fails to conform to the objectives of socialist production. If we cannot handle it properly, it may even give rise to or intensify chaos in the social order. Therefore, we must settle the phenomenon of unemployment. Such settlement includes the following aspects: First, we must increase the number of people in employment and reduce the number of people in unemployment under the principle of doing so without affecting efficiency. Second, we must provide actual protection to the unemployed in respect of their basic livelihood. On the first issue, since the level of employment in society, the

existence of unemployment, and the level of unemployment are closely related to the scale of macroeconomic operations, composition of industries, and composition of technology, the government may, through the readjustment of macroeconomic policies, maintain, and rationally expand, its scale of macroeconomic operations. Through its rational policies toward industries, it may arrange and readjust the proportion of capital- and technology-intensive industries, and that of labor-intensive industries. Through its rational policies toward technology, it may, under the prerequisite of not reducing economic efficiency, increase as much as possible the employment capacity and minimize the difference between the supply and demand for labor by arranging the substitution of advanced technology for not so advanced technology, by the substitution of capital for technology, and by the substitution of labor for technology. Thus we can realize the goal of checking the number of unemployed and checking the unemployment rate. Furthermore, we may, through active development of professional education and the vocational training structure, tackle unemployment caused by an upset balance in the supply of and demand for labor, as well as unemployment caused by the selection or the changing of jobs by laborers, so that we can overcome or ease such unemployment by boosting the adaptability of laborers, allowing a free flow of labor information in the information channels, and other measures. Also, for a populous country such as China, strictly enforcing birth control policies and checking the overall growth of population, so as to reduce the growth in the supply of labor, are also very important measures for easing unemployment.

On the second issue, that is, protection for the unemployed, it is both the key and the difficult point of our countermeasures against unemployment. A reason that we were often afraid of mentioning unemployment in our theory and practice in the past is directly related to the fact that in practice, we have not established an effective unemployment protection system. In the past, the social security system adopted by socialist countries was often combined with the labor and employment systems of their urban economies. Protection of those in employment was a basic characteristic of this system. Once a laborer had a job in a state-owned enterprise, not only had he found a guarantee for his basic livelihood, but also various types of welfare protection (such as medical, housing and public transport protection, and so on). The cost of such a protection system is very high. Not only has it reduced economic efficiency and increased the state's fiscal burden, it has also turned unemployment into something unacceptable or intolerable to all members of society, which is more important. We must reform in this respect, and on this basis set up a job security system that corresponds to the newly opened unemployment mechanism. A basic feature of this system is that the target of protection is the unemployed. Its major means of protection is self-protection,

and it takes efficiency and fairness as the basic principle. Specific contents of the system may be similar to the following:

1. We may set up a centralized social job security fund, and make it the basic and normal source of unemployment allowance. In setting up a new job security insurance, we must get rid of such traditional pattern and thinking that we provide unemployment allowance at the expense of the state's fiscal burden. We should locate funds for the unemployment allowance from sources other than state revenue, so as to protect the basic livelihood of the unemployed without putting a greater burden on the state. I assume that we may withhold 10 percent of the standard wages (which is equal to the sum of basic wages, job allowance, and wages based on seniority) received by workers of enterprises owned by the whole people and collective enterprises, in urban and rural areas as job security charges. Laborers may pay such charges individually in the form of unified withholding by their units. This will thus form the basic source of funds for unemployment allowance payable to unemployed individuals working in enterprises owned by the whole people and in collective enterprises. The job security funds for workers of private enterprises, Chinese-foreign joint ventures, and wholly foreign-owned enterprises in urban and rural areas may also be raised in a similar way. The specific ratio of the funds may be the same as, or different from, the ratio fixed by enterprises under the public ownership system. By implementing this plan under the condition of not exceeding the acceptance level of the workers, we may annually raise a considerable sum of job security funds, and may basically solve problems concerning locating the source of unemployment funds for urban workers. According to statistics as at the end of 1989, the total number of workers across China was 137.4 million. The annual total amount of wages was 264,000 million yuan, and per capita income in the form of wages was 1,950 yuan.<sup>5</sup> Assuming that the level of standard wages was 60 percent of the total wages, the annual total amount of workers' standard wages was 158,400 million yuan. If we withheld 10 percent of this amount of standard wages as the job security fund, we might have raised 15,840 million yuan for that year. The burden for each person would have been about 115 yuan, or less than 10 yuan per month, which was less than six percent of the per capita income in the form of wages.

Also assuming that we paid unemployment allowance at the rate of 60 percent of the per capita level of standard wages, each unemployed individual might have received an average annual amount of 702 yuan. Calculated on this basis, a job security fund with a total of 15,840 million yuan might have helped more than 22.5 million unemployed individuals. When such funds raised in a particular year cannot cover the payment of such an allowance, the state may make up for this by utilizing such funds which would otherwise have been allocated to loss-incurring enterprises as subsidies before unemployment was turned into an open phenomenon. This plan

takes into consideration the interests of the state, those in employment, and the unemployed, as well as efficiency and fairness among them. It should be acceptable to workers after we have explained to them the advantages. Therefore, it is a feasible plan.

2. We should define rational standards, criteria, and terms for receiving the unemployment allowance. After we set up the job security fund, we must tackle the issues of who is entitled to receive it, the amount, and the term of payment. Taking into consideration the present population level and what the economy can accept, I hold that at present, the appropriate target of people entitled to receive the unemployment allowance should only be wage-earning laborers, that is, workers of state-owned and collective enterprises and units and workers of private enterprises, Chinese-foreign joint ventures, and wholly foreign-owned enterprises who have made contributions according to the rules to the job security charge for a certain period. When the economic strength gets better and the township and town enterprises are standardized, we may further expand the scope to cover workers of township and town enterprises, and young and unemployed youths. However, nonwage-earning laborers will not be entitled to receive such an allowance. In order to avoid the possibility of some people mentally or physically relying on the "unemployment allowance" for their living as a result of the implementation of this system, and to encourage the unemployed to find a new job as soon as possible, we should work out a standard level and term for the allowance, which should be 50 to 60 percent of the standard wages received by the worker in question when he was in employment, and the term should be limited to one year. This may thus avoid negative effects on production efficiency. In the event that a person is still unemployed after the term expires, he will no longer be entitled to receive the unemployment allowance, and he will receive support for his basic livelihood under a system of minimum income protection.

3. We should set up a centralized office and a set of procedures. We may have labor departments at county level responsible for collecting job security funds from individual workers of various enterprises and institutions, and units under their jurisdiction; examining the qualifications of applicants within their jurisdiction applying for the unemployment allowance; and handling the procedures for the payment of the allowance (we must guard against the practice of allowing a unit to collect and make such an allowance entirely by its own efforts). In order to maintain a balance between the contributions to and payment of the job security insurance among different regions and over time, we may consider a nationwide collection of the fund by the Ministry of Labor or the Ministry of Finance of the central authorities, and let the central authorities retain 20 percent of the fund for the purpose of centralized allocation.

4. We should set up and perfect other relevant social security systems. This is because the functions of the job

security system are limited to the basic livelihood of individuals during their periods of unemployment, and do not cover other areas. Therefore, we must turn unemployment into an open phenomenon, and must set up and perfect other relevant security systems, while giving play to its advantages. Thus, we can prevent the negative effects of unemployment from worsening, and make such relevant security systems dovetail with the job security system, forming a complete social security system. For example, we must set up a new medical system to meet the needs of individuals when they are unemployed; and we must set up a system for minimum income protection, so as to guarantee the basic needs of dependents of the unemployed.

#### Footnotes

1. See ZHONGGUO LAODONG BAO 24 Feb 90.
2. See SHIJIE JINGJI DAOBAO 17 Mar 86 p 14.
3. See LAODONG JINGJI YU RENSHI GUANLI No. 8, 1989: "Discussion on China's Contemporary Unemployment in Townships and Towns" by Wang Haibo [3076 3189 3134].
4. Ibid.
5. See ZHONGGUO LAODONG BAO 24 Feb 90.

#### Self-Employed Groups Stress Community Service

*OW1411022190 Beijing XINHUA in English  
0207 GMT 14 Nov 90*

[Text] Jinan, Nov 14 (XINHUA)—The Chinese Private Workers' Association is guiding its 20 million members to serve the community and boost the private sector of the economy.

So far, the association has branch organizations in 29 provinces, municipalities and autonomous regions.

According to the association's statistics, these organizations offered a total of 18,000 training courses on state policy, the law and professional ethics last year, and more than 21 million people attended the courses. They also gave skill training to 460,000 people.

The organizations have set up 2,183 private medical stations, 3,848 funds and 1,670 libraries as well as 6,300 legal consultancy service organizations.

They also encouraged self-employed people to go in for recreational activities by sponsoring 5,514 arts and sports organizations last year.

#### POPULATION

##### National Census Figures Reveal Population Trends

*OW3010201590 Beijing XINHUA in English  
1256 GMT 30 Oct 90*

[Text] Beijing, October 30 (XINHUA)—China's natural population growth rate in the 12 months prior to the fourth national census conducted July 1 this year is 14.7 per thousand, according to the statistics released by the State Statistics Bureau here today.

The statistics also show that the average annual population growth rate in the eight years since the third national census in 1982 is 14.8 per thousand.

Of the total population of the Chinese mainland's 30 provinces, autonomous regions and municipalities and military servicemen, the male population is 584,949,922, accounting for 51.6 percent, and the female is 548,732,579, accounting for 48.4 percent.

Also of the total population of the Chinese Mainland, 1,042,482,187 people are of the Han nationality, 91.96 percent of the total. The population of the ethnic minorities is 91,200,314, or 8.04 percent of the total.

Based on the statistics of the census conducted in 1982, the population of the Han nationality has increased by 101,602,066, with a growth rate of 10.8 percent. The population of the ethnic minorities has increased by 23,905,147, with a growth rate of 35.52 percent.

There are 276,947,962 households on the mainland with 1,097,781,588 people, accounting for 97.1 percent of the total population (not including the military servicemen). At an average, each family has 3.96 persons.

As far as the Chinese Mainland is concerned, 16,124,678 people have college background, 91,131,539 people have been educated in senior high, 264,648,676 in junior high, and 420,106,604 in primary school.

Compared with the statistics of the previous census, those with college background in every 100,000 people rose from 615 to 1,422; those educated in senior high, from 6,779 to 8,039; those educated in junior high, from 17,892 to 23,344; and those with elementary education, from 35,237 to 37,057.

Of the population of the Chinese mainland's 30 provinces, autonomous regions and municipalities and military servicemen, 180,030,060 are illiterate or semiliterate, accounting for 15.88 percent of the total as compared with 22.81 percent in 1982.

The urban population of the Chinese Mainland is 296,512,111, accounting for 26.23 percent of the total. Of these 211,230,050 people or 18.69 percent of the total population live in the cities, and 85,282,061 people or 7.54 percent live in towns.

A sample survey conducted among 173,409 people shows the error of the census is 0.6 per thousand.

### Family Planning Stations Serve Rural Areas

OW1711074490 Beijing XINHUA in English  
0723 GMT 17 Nov 90

[Text] Beijing, November 17 (XINHUA)—China has set up family planning service stations in more than 80 percent of its counties and a quarter of its villages and towns, thus forming a birth control service network at the grass-roots units.

These family planning service stations play an important role in birth control, especially in the Chinese countryside.

According to an official from the State Family Planning Commission, family planning service stations were first set up by local people and governments in Heilongjiang, Sichuan and Henan Provinces at the end of the 1970s. Now there are more than 2,000 such stations at the county level and 20,000 in villages and towns.

The stations at the county level are responsible for implementing birth control policies, providing birth control technology services, teaching women of child-bearing age about eugenics and training personnel for the birth control program.

The stations in villages and towns each has two or three staff members, whose job it is to provide birth control technological services for the peasants.

According to the State Family Planning Commission official, during the Eighth Five-Year Plan (1991-1995) period, China will attach greater importance to improving the facilities of the family planning stations. Meanwhile, more such stations will be set up in villages and towns.

### Beijing Urban Population Drops 3.4 Percent

OW1011135690 Beijing XINHUA in English  
1131 GMT 10 Nov 90

[Text] Beijing, November 10 (XINHUA)—The fourth national census shows that Beijing's urban population has dropped in the past eight years.

According to statistics released by the Beijing Statistics Bureau, Beijing's total population has reached 10.819 million, a 17.2 percent increase in the past eight years.

However, the population in Beijing's four urban districts, Dongcheng, Xicheng, Chongwen and Xuanwu, the city proper, is 2.336 million, measuring a 3.4 percent decrease in that period. The size of the population living in the outskirts of the city, in Chaoyang, Fengtai, Shijingshan and Haidian Districts, is 3.989 million, marking a sharp increase of 40.5 percent.

Nevertheless, the city proper is still the most densely populated area in Beijing. Its population density is

26,607 persons per square kilometer, while in the suburbs it is 3,101 persons per square kilometer. The lowest population density in the outskirt districts is 282 persons per square kilometer.

According to an analysis of the Beijing Statistics Bureau, the main cause for the population increase in the outskirts is the floating population of about 0.3 million people who now live there. In addition, a number of urban residents have moved to new apartment buildings in the suburbs.

### Fujian Statistical Bureau Releases Census Data

HK1311073190 Fuzhou Fujian Provincial Service  
in Mandarin 1100 GMT 8 Nov 90

[Excerpt] The provincial Statistical Bureau published the No. 1 Bulletin today on the main data collected during the fourth census in our province. This bulletin shows that by 0000 on 1 July 1990 total population in our province was 30,972,740. According to statistics issued by the Taiwan authorities this year, population on islands including Jinmen, Mazu, and others is 49,050.

The bulletin of the provincial Statistical Bureaus reports that thanks to efforts made by 130,000 working personnel of the fourth provincial census to carry out the first and second in-depth surveys, and implement the relevant policies, their project was satisfactorily accepted by the authorities through various examinations. The quality of their work attained the standard set by the state. The task of carrying out the census was smoothly completed.

Compared with the third census in 1982, the total population of the 80 counties, cities and districts involved in the present census has increased by 4,175,307 in a period of eight years. The average annual increase is 521,913 (1.89 percent). The data collected in the present census have also shown that population of the Han Nationality in our province has accounted for 98.46 percent of the total population under survey. Total population of various minority nationalities is 463,831. Minority nationalities which have greater population include the She, Hui, Zhuang, Man, Miao, Mongolian, and Tujia Nationalities. [passage omitted]

### Guangdong Population Reaches 62.8 million

HK1411020590 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 8 Nov 90

[Excerpts] Today, the Guangdong Provincial Statistics Bureau published "Provincial Report No. 1 on the Fourth National Census," which contains all the main data, and announced the complete success of our provincial census registration work during the fourth national census.

As of 0000 on 1 July 1990, the total population of our province had reached 62,829,236. [passage omitted]

Compared with eight years ago, our provincial birth rate had dropped by 2.53 per thousand; the average number of persons per household had decreased by 0.37; the illiterate or partially illiterate population had decreased by 2.08 million; the number of people with college, senior middle school, or junior middle school education per 100,000 had risen rapidly.

All these figures show that our province has made much headway in controlling population growth and improving population quality. Nevertheless, they also show that our province has a big population base and that the population is growing very fast. Our provincial birth rate still stands at nearly 22 per thousand. Every year, some 1.4 million people are born in our province. This shows that our province is still facing a severe population situation. [words indistinct] [passage omitted]

### Guangdong Official Discusses Population Growth

*HK1411031290 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 10 Nov 90*

[Text] The outcome of this year's provincial population census, released the other day by the provincial statistical bureau, shows that the provincial population situation remains extremely grim. Our staff reporter (Chen Yongguang) today interviewed (Zheng Musheng), deputy director of the provincial family planning commission, on how to make continuous efforts to grasp well family planning work and effectively curb population growth.

[begin recording] Reporter: Deputy Director Zheng, the provincial statistical bureau released the outcome of this year's provincial census the other day, from which we can see that the province's population situation remains extremely grim. What is your view on this issue?

Zheng: On the one hand, the outcome released in the bulletin shows that gratifying results have been achieved in the province's family planning work. On the other hand, however, it also shows the province has a birth rate of 22 per thousand which is fairly high. The proportion of the province's population in the total population of the whole country has also risen at a higher growth rate compared with that in the third population census. Moreover, we are presently in a childbirth boom. All these have added to the gravity of our population situation.

Reporter: What are the major difficulties the province is facing in its family planning work?

Zheng: One of the major difficulties the province is facing in its family planning work is that, although the province's new policies are clear to the masses, they are not carried out conscientiously. That is where the difficulty lies. The other is that being a province with a fairly developed commodity economy, Guangdong has a big floating population. These two problems are quite conspicuous in Guangdong.

Reporter: What measures shall we take to effectively curb the future population growth in the province?

Zheng: In order to curb the province's population growth, in my opinion, we should accomplish the following: 1) Party committees and governments at all levels should strengthen their leadership in family planning work. 2) Vigorous efforts should be taken to implement the childbirth policies as well as birth control policies contained in the province's regulations governing family planning. 3) Propaganda work for family planning should be augmented. As regards controlling the floating population's family planning, since this year, we have issued to the floating population childbirth and birth control certificates, and unmarried status certificates for unmarried youth. The results of these measures are satisfactory, therefore, we will continue with these measures and do a better job in implementing them in our future work. [end recording]

### Guangxi Statistics Bureau Releases Population Data

*HK1311035590 Nanning Guangxi Regional Service in Mandarin 1130 GMT 8 Nov 90*

[Excerpts] The following is an excerpt of a communique on the main data of the 1990 census the regional Statistics Bureau issued on 8 November 1990.

1. Total population: The autonomous region's total population is 42,245,765. Compared with 36,420,960, data issued at 0000 on 1 July 1982 of the third national census, in a period of eight years, our autonomous region's population has increased by 5,824,805 (15.99 percent). [passage omitted]
2. Household population: There are 8,850,484 households in the autonomous region with a population of 41,107,064, accounting for 97.3 percent of the total population. The average number of persons in each household is 4.64.
3. Sex composition: Of the autonomous region's total population, males number 22,157,660, accounting for 52.4 percent of the total population; whereas the number of females is 20,881,050, accounting for 47.6 percent of the total population.
4. Nationality composition: Of the autonomous region's total population, the Han nationality population is 25,736,855; the Zhuang nationality is 14,154,194; the Yao nationality is 1,325,118; the Miao nationality is 425,137; the Dong nationality is 286,915; the Mulao nationality is 155,862; the Maonan nationality is 70,732; the Hui nationality is 28,190; the Jing nationality is 16,425; the Yi nationality is 7,156; the Shui nationality is 12,797; the Kelao nationality is 2,537; and other minority nationalities is 23,847. The Han nationality population accounted for 60.9 percent of the total population. The Zhuang nationality population accounted for 33.5 percent of the total population, whereas the

population of the rest of the minority nationalities accounted for 5.6 percent. [passage omitted]

### **Henan Population Approaches 86 Million**

*HK1611145290 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 14 Nov 90*

[Text] Today, the Henan Provincial Statistics Bureau published Provincial Report No. 1 on the Fourth National Census.

The report announced: The results of strict pre-acceptance examinations and spot quality checks show that the fourth provincial census registration work has been successfully completed.

By 0000 of 1 July, 1990, the total population of our province had reached 85,909,535, ranking our province the second most populous province in the whole country. Meanwhile, the total number of households in our province had approached 20 million. The average household population of our province dropped from 4.7 in 1982 to 4.2. The proportion of people who have received all types of education in every 10,000 people showed an increase compared with that during the third census. The number of illiterate or partially illiterate people aged 15 or above decreased. The proportion of illiterate or partially illiterate population in the total population of our province dropped from 26.28 percent in 1982 to 16.75 percent.

During the year from 00:00 of 1 July, 1989 to 30 June, 1990, 2.03 million people were born whereas more than 0.92 million people died in our province. The urban population of our province now stands at more than 13.27 million, accounting for 15.52 percent of the total population of our province.

The Provincial Report No. 1 published by the provincial Statistics Bureau also contains: provincial population sex composition; populations of various nationalities; population birth rate and death rate; population natural growth rate.

Under the direct leadership of party committees and governments at all levels, nearly half a million census workers took part in the recent unprecedentedly large-scale census, which was indeed a social system engineering. The results of the census will provide a reliable basis for the study of our provincial economic and social situations and the formulation of macroscopic policies. The provincial statistics bureau will gradually publish other [words indistinct] census data in the future. Now statistics departments in various cities and prefectures across the province are busily processing all the materials of the fourth census with computers and are expected to complete all their work in 1992.

### **Census Data Show Henan Population Distribution**

*HK231113390 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 20 Nov 90*

[Text] The provincial Statistics Bureau recently released the No. 2 Bulletin on the fourth provincial census results, showing: How the population is distributed over the whole province; the total population of 17 cities and prefectures throughout the province; counties and cities with a population of one million and above; and how natural changes have taken place in population.

According to the bulletin: In the period from 1 July 1989 to 30 June 1990, the cities and prefectures whose natural population growth rate was lower than the provincial average of 1.785 percent are as follows, in the order of the lowest to the greatest: Zhumadian Prefecture, Anyang Prefecture, Puyang City, Sanmenxia City, Luoyang City, Jiaozuo City, Xinxiang City, Luoyang City, and Kaifeng City. The cities and prefectures with a natural population growth rate higher than the provincial average are: Pingdingshan City, Anyang City, Zhoukou Prefecture, Zhengzhou City, Xuchang City, Hebi City, Xinyang Prefecture, and Shangqiu Prefecture. The cities and prefectures who have 100 people or more per 10,000 with a college education are: Zhengzhou City, Luoyang City, Kaifeng City, Xinxiang City, and Jianzuo City. Of these, Zhengzhou boasts the highest proportion with 334 persons per 10,000 with a college education. The cities and prefectures with 50 persons or less per 10,000 with a college education are: Luoye City, Shangqiu Prefecture, Zhumadian Prefecture, and Zhoukou Prefecture. Some 6,127 out of 10,000 people have graduated from primary or junior middle schools. The number of young people of 15 years and older who are totally illiterate or, only know a few characters, account for 16 percent of the province's total population. At 0000 on 1 July 1990, nationalities across the province numbered 51, an increase of 10 over the third provincial census result in 1982. The number of nationalities with a population of 1,000 and above increased from five to 12.

### **Henan Hosts Symposium on Floating Population**

*HK2611022490 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 25 Nov 90*

[Text] The Second National Symposium on the Floating Population in Large Cities was held in Zhengzhou from 22 to 24 November.

Over the past few years, along with the rapid development of reform, opening up, production, and construction, the size of the floating population in urban areas has increased year in, year out, which has had a major impact on the urban economic life and forwarded many new topics concerning big city construction and management.

The symposium aimed at studying and discussing certain problems caused by the growth of the big city

floating population as well as problems regarding big city floating population management and labor resource disposal.

Responsible persons of the Ministry of Urban and Rural Construction, China Urban Science Research Association, and the Tianjin City Government as well as leaders of all the major city governments across the country attended the symposium.

### **Hebei Statistical Bureau Releases Census Data**

*HK1311055190 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 8 Nov 90*

[Text] The provincial Statistical Bureau released a bulletin yesterday on major data of the province's 1990 population census. According to the bulletin, by 0000 on 1 July 1990, the province's population totalled 53,969,210, an increase of 6,161,092 over the figure of the third population census in 1982. Over the past eight years, the population has annually increased by an average of 770,137 with an annual increase rate of 15.27 per thousand. These manually-collected data serve to show the registration work of the province's fourth population census has achieved a complete success.

The bulletin also released figures on the household size, sex, nationality, birth rate, and death rate etc.

During the 12 months from 1 July 1989 to 30 June 1990, a total of 1,301,094 babies were born with a birth rate of 24.32 per thousand, while 365,901 died with a death rate of 6.84 per thousand. It can thus be deduced that the net increase of the province's population is 2,562 per day.

Evident improvement has been made in the educational quality of the population compared with that of the third population census. Though the proportion of the illiterate and semiliterate persons at the age of 15 and above in the whole population has dropped by a large margin, there is still a fairly large number of people who have only received primary education and more new illiterate persons are still emerging.

This population census is carried out under a state unified plan. The resolute and effective leadership of party committees and governments at all levels, as well as the vigorous and warm support and coordination from the vast numbers of the masses are of crucial importance to a complete success of this population census. With a conscientious and selfless spirit as well as a scrupulous and rigorous work approach, more than 300,000 surveyors, survey instructors, and functionaries have guaranteed a successful fulfillment of tasks at all stages in the census registration.

All data gathered in the province's population census are currently being processed by computer.

### **Inner Mongolia Reports Population Statistics**

*OW2811045890 Beijing XINHUA in English 0318 GMT 28 Nov 90*

[Text] Hohhot, November 28 (XINHUA)—The population of Mongolian people in north China's Inner Mongolia Autonomous Region has exceeded 4.8 million, according to a recent national census, an increase of 40.68 percent compared with the number in the previous national census in 1982.

During the same period, the populations of other three ethnic minorities in the region—the Daur, Ewenki and Oroqen—increased by 29 percent, 36 percent and 70 percent, respectively.

"The rapid population growth has been an important factor deterring economic and cultural development in these areas," said Minister of the State Family Planning Commission Peng Peiyun at a recent family planning meeting in Inner Mongolia.

But to control the population growth in minority areas does not mean that the "one-child policy" should also be applied to these areas, said Peng, "it should be much more flexible."

Some local autonomous regional governments have drawn up family planning policies on the basis of their actual conditions.

The Inner Mongolia Autonomous Region, for example, has advocated that for the Mongolian families two children per couple in cities and three in the countryside is permissible. In the meantime, families of the Daur, Ewenki and Oroqen nationalities are also encouraged to have less children.

China instituted a family planning program among the Han nationality in the early 1970s. The people of the Han nationality are generally encouraged to have only one child per couple.

Although family planning education was introduced among the minority people, they were not included in the national birth control program until recent years.

According to statistics, the Mongolian population has more than trebled since 1949 when the People's Republic of China was founded.

### **Liaoning Census Shows Increase in Urban Residents**

*OW1011004390 Beijing XINHUA in English 1527 GMT 9 Nov 90*

[Text] Shenyang, November 9 (XINHUA)—The number of urban residents accounts for over half of the total population of northeast China's Liaoning Province, according to the result of a recent census.

By the end of July this year, the population in this industrial province had reached 39.46 million, of which

50.9 percent live in the cities or towns, an increase of 8.5 percent compared to the figures in the last census, in 1982.

The proportion of the urban population in Liaoning is twice as high as the national average of 26.23 percent, and ranks as the fourth in China after Beijing, Tianjin and Shanghai Cities, making Liaoning the most urbanized province in the country.

Nearly 6.2 million people are of ethnic minority background in the province, 111.9 percent higher than in 1982, while the population of the majority Han nationality has grown by only 1.47 percent.

Diminishing family size marks another feature of the population in Liaoning. Of the 10.31 million families there, the average number of people in each family is 3.59, a drop of 0.5 people from 1982.

About 2.6 percent of the province's population have college education, 1.5 times higher than the 1982 figure. Some 10.9 percent are high-school graduates, up by 17 percent over 1982.

The number of illiterate and semi-illiterate people in Liaoning is less than 3.48 million, down by 24.34 percent compared with 1982, and their percentage of the provincial population has dropped from 12.87 percent to 8.81 percent.

#### Ethnic Minority Population Rising in Qinghai

OW1011193590 Beijing XINHUA in English  
1530 GMT 10 Nov 90

[Text] Xining, November 10 (XINHUA)—The population of ethnic minorities in northwest China's Qinghai Province is growing faster than that of the Han nationality, due to the state's less-strict birth-control policy.

Data from the results of the nation's fourth census show that the population of ethnic minorities, which make up 42.1 percent of the province's total population, has increased by 22.19 percent since 1982, when the third national census was carried out, while the population of Han nationality in the province grew by only 9.34 percent.

Apart from Han nationality, Qinghai has people of the Tibetan, Hui, Tu, Sala, Mongolian and other nationalities.

According to the provincial authorities, the ethnic-minority families in the province can give birth to two children (in towns) or three (in rural areas), while Han families are limited to only one child each.

According to the census, the total population of ethnic minorities, which account for about eight percent of the country's total population, rose 35.52 compared with the figures for 1982, and the Han nationality increased by 10.8 percent.

#### Shaanxi Population Reaches 32.8 Million

HK1411040990 Xian Shaanxi Provincial Service  
in Mandarin 0030 GMT 11 Nov 90

[Excerpts] Yesterday, the provincial Statistical Bureau published "1990 Census Report No. 1," which contained all the main data.

The report said: In accordance with the decision made by the State Council, our province carried out census registration work in July of 1990. Thanks to the great efforts made by more than 0.3 million census personnel, our province has successfully accomplished the census registration task. [words indistinct] [passage omitted]

By 0000 on 1 July 1990, the total population of our province had reached 32,882,403, accounting for 2.83 percent of the total population of our country. [passage omitted]

The average household population of our province stood at 4.06. The male population accounted for 51.9 percent of the total population of our province while the female population accounted for 48.1 percent. [passage omitted]

The population of the Han Nationality in our province stood at 32,726,773, accounting for 99.53 percent of the total population of our province; whereas the population of various ethnic minorities stood at 155,630, accounting for 0.47 percent of the total population of our province. [passage omitted]

The number of people with primary school or higher education in our province stood at 21,839,180. The illiterate or partially illiterate population of our province stood at 5,794,883. Compared with the 1982 census data, the proportion of illiterate or partially illiterate population in the total population of our province dropped from 24.09 percent to 17.62 percent. [passage omitted]

The birth rate of our province stood at 23.49 per thousand, while the death rate of our population stood at 6.49 per thousand. The natural growth rate of our provincial population stood at 17 per thousand. [passage omitted]

#### Population Increases in Tibet Autonomous Region

OW1511120190 Beijing XINHUA in English  
0824 GMT 15 Nov 90

[Text] Lhasa, November 14 (XINHUA)—China's fourth census revealed that the Tibetan population in the Tibet Autonomous Region has increased by over 300,000 compared to the figure of the last census in 1982.

The current Tibetan population of over 2 million (2,096,346) people accounts for 95.46 percent of the total population in the autonomous region, (which is 2,196,010). Of the remaining 4.54 percent, 3.70 percent, 81,217 people, are Hans while various ethnic minority groups comprise the other 0.84 percent, 18,447 people.

According to statistics, Tibetans now enjoy an average life span of 65 years, 30 years longer than that before 1951. Of the 101,496 elderly people here, the oldest is 118 years old.

The development of the economy and medical services have contributed to the growth of the Tibetan population. However, the population growth also owes a lot to Chinese central government's loose population policy in this region.

### **Excessive Population Growth in Yunnan Viewed**

*HK1511090590 Kunming YUNNAN RIBAO in Chinese  
15 Oct 90 p 2*

[Article by Wang Jinqiang (3769 6855 1730): "Thoughts on Excessive Population Growth in Our Province"]

[Text] At the end of 1988, 25 provinces, autonomous regions, and municipalities across the country topped the population planned control targets set for the Seventh Five-Year Plan period. Of these, the population growth in our province was conspicuously fast. The nation's birth rate was 20.78 per thousand, but that of our province was still 24.01 per thousand, 3.23 millesimal points higher than the national average, ranking second in the whole country. By the end of the year, our province topped the state's population planned control figure by 240,000, resulting in a net increase of 600,000 people for the province, which was an astonishing figure. In 1949, our province's population was still less than 16 million; 39 years later, it increased to 35.94 million. This means that the province's population is drastically growing at an average net increase of 511,000 a year.

There are numerous reasons for the excessive population growth in our province, chief among them are:

1. The province's big total population base. Because of the second childbearing peak between 1962 and 1973, our province will enter the third childbearing peak between 1985 and 1997, lasting 12 years. In this period, the number of child-bearing women aged between 15 and 49 will increase at an average of 5 percent annually, i.e., there will be about 400,000 girls entering the childbearing age annually. If the population natural growth rate is to progressively increase at the rate of 18 per thousand, as was the case in 1986, the population will increase by 700,000 annually. If the annual progressive natural growth rate is restricted at the level of 15 per thousand (a drop of 9.01 millesimal points over 1988), the population also will increase by 580,000 a year.

2. Large population of ethnic minorities. The 1982 census data shows that there were 26 ethnic minorities in our province, 24 of which had a population of over 4,000. Now, the population of our province's ethnic minorities has reached 12 million. Before the mid-1960's, the population of ethnic minorities increased more slowly than that of Han nationality. Between 1953 and 1964, the annual average population growth was 16.8 per thousand for Han nationality and 11.7 per

thousand for ethnic minorities, which shows that the annual average population growth of the latter is 7.1 [as published] millesimal points lower than that of the former. After the mid-1960's, however, the population growth of ethnic minorities quickly outstripped that of Han nationality. Between 1964 ad 1982, the population of ethnic minorities rose by 61.6 percent, while that of Han nationality by 58.15 percent, a disparity of 3.45 percentage points between Han nationality and ethnic minorities. In the six years between 1982 and 1987, the proportion of the population of ethnic minorities in the province's total population rose from 31.71 percent to 32.31 percent.

3. Population growth in some outlying areas and most of the impoverished areas is still out of control or partially out of control. The reasons are as follows: First, because conditions are hard in these outlying areas, it is difficult to launch propaganda and education in family planning in an extensive and deep-going way; second, failure to coordinate the family planning policy with the aid-the-poor policy, with each going its own way, has stimulated more births to some extent.

In recent years, the whole country and even the whole world is exploring effective means to control population. I also want to raise suggestions on how to control excessive population growth in our province.

Formulate and carry out a family planning policy toward peasants, with the stress on relieving their worries for the future. Ours is a province with a predominant agricultural population. The key to controlling our province's population size lies in carrying out the family planning policy in the rural areas well. However, the principal mode of labor in our province is still manual labor, which is characterized by great labor intensity and low economic results. Therefore, to prevent the situation in which they have nobody to look after them in their old age, a large number of peasants still have the traditional concept of giving birth to many children and grandchildren. Consequently, whether or not we can adopt a comprehensive measure to relieve the peasants of their worries for the future is undoubtedly a crucial factor in doing a good job of family planning work among the peasants.

Exercise macrocontrol and give individual guidance. The population of ethnic minorities in our province accounts for one-third of the province's total. Judging by the population growth of ethnic minorities in recent years, a drastic increase in the population of ethnic minorities will potentially contribute to a drastic increase in our province's population. Therefore, all people of ethnic minorities, as well as leaders at all levels, should be made to understand that, like people of the Han nationality, they are ordinary citizens of the PRC as well as members of the great family of nationalities, and that they have the obligation to carry out the state policy and abide by all family planning rules and systems. However, due to the different regions, customs, and habits of various ethnic minorities in our province, we

should not insist rigid uniformity regardless of the conditions but should exercise macrocontrol and give individual guidance.

Further improve the family planning policy, give extensive publicity to the relationship between excessive population growth and human survival, and discard outdated concepts. It is especially necessary to do a good job of publicity and educational work on family planning in outlying areas, impoverished areas, and ethnic minority areas.

### **Yunnan Releases Second Census Bulletin**

*HK1511100990 Kunming Yunnan Provincial Service  
in Mandarin 1000 GMT 14 Nov 90*

[Text] Today, the Yunnan Provincial Statistics Bureau published the No.2 bulletin of principal data on the 1990 Yunnan census.

The principal data contained in the bulletin: The population distributed over 17 prefectures, autonomous prefectures, and cities across the province is registered as follows: Kunming City 3,635,212; Dongchuan City 275,458; Zhaotong Prefecture 4,255,529; Qujing Prefecture 5,227,740; Chuxiong Yi Autonomous Prefecture 2,328,858; Yuxi Prefecture 1,811,137; Honghe Hani-Yi Autonomous Prefecture 3,655,506; Wenshan Zhuang-Miao Autonomous Prefecture 2,974,190; Simao Prefecture 2,212,778; Xishuang Banna Dai Autonomous Prefecture 796,352; Dali Bai Autonomous Prefecture 3,001,970; Baoshan Prefecture 2,099,477; Dehong Dai-Jingpo Autonomous Prefecture 920,280; Lijiang Prefecture 1,010,536; Nujiang Lisu Autonomous Prefecture 439,797; Deqen Zang Autonomous Prefecture 315,316; and Lincang Prefecture 2,004,174.

People residing in the autonomous regions amount to 19,148,152, accounting for 51.79 percent of the total population province-wide.

The population density of 17 prefectures, autonomous prefectures, and cities across the province is 94 persons per square km of land, increasing 11 persons over 1982. There is a great difference in the population density of various prefectures, autonomous prefectures, and cities.

Prefectures and cities where there are over 150 persons on a square km of land are Kunming City, Zhaotong Prefecture, Dongchuan City, and Qujing Prefecture in the order of greatest to lowest population density.

The natural population growth rates of 17 prefectures, autonomous prefectures, and cities registered in the period from 1 July 1989 to 30 June 1990 are as follows in the order of highest to lowest rate: Kunming, less than 10 percent; Dongchuan City, Chuxiong Yi Autonomous Prefecture, Baoshan Prefecture, and Simao Prefecture, between 10 and 14.99 percent; Lijiang Prefecture, Yuxi Prefecture, Dali Bai Autonomous Prefecture, Lincang Prefecture, Qujing Prefecture, and Honghe Hani-Yi Autonomous Prefecture, between 15 and 17.99 percent;

and Wenshan Zhuang-Miao Autonomous Prefecture, Nujiang Lisu Autonomous Prefecture, Deqen Zang Autonomous Prefecture, Xishuangbanna Dai Autonomous Prefecture, Zhaotong Prefecture, and Dehong Dai-Jingpo Autonomous Prefecture, 18 percent and above.

### **Zhejiang Releases Census Data**

*OW0911142090 Hangzhou Zhejiang Provincial Service  
in Mandarin 1000 GMT 8 Nov 90*

[From the "Provincial Hookup" program]

[Text] At zero hour on 1 July 1990, the total population of our province was 41,445,930 people. Compared to the third census in 1982, the population has grown by 6.59 percent.

The Zhejiang Provincial Census Leading Group today held a news briefing to release the principal data of the fourth census. The group published the results compiled manually by the provincial statistical bureau, and declared the successful completion of surveys and registrations in the Fourth Zhejiang Provincial Census.

The results compiled manually by the provincial statistical bureau also include the composition of population by sex and ethnicity, the birthrate, and the mortality rate.

According to the communique, Zhejiang has a total of 11,686,047 family households, averaging 3.46 members. This is 0.5 less than the 3.96 average recorded in the third census in 1982. The number of males registered in the census amounted to 51.55 percent of the total population, while females accounted for 48.45 percent. From 1 July 1989 to 30 June 1990, the birthrate was 14.84 per thousand, and the mortality rate was 6.10 per thousand. This has contributed to a natural growth rate of 8.74 per thousand.

The census data shows that illiterate and semi-illiterate people, including those who are 15 or older and cannot read or only barely, account for 17.46 percent of the total population, down from 23.93 percent in 1982.

The fourth census was the most sizable ever undertaken in our province. A total of 400,000 census workers, census takers, and census instructors throughout the province carried out house-to-house, person-by-person, and item-by-item surveys and registrations, so as to complete the provincial census registration on time by 10 July. After examination and acceptance, the margins of error for all the categories of the provincial census were all found to be below the national standards.

The census results show that the population of our province has been effectively brought under control. However, the task of population control remains extremely arduous. The census data shows that Zhejiang currently has more than 11 million couples of fertile age, over 4.31 million of which are at their peak fertile periods. This indicates that the population is still

growing. The census results also clarify the number of local people living outside the province.

Xu Xingguan, head of the provincial census leading group and vice governor, spoke at the news briefing. He said: This census is extremely important for the systematic formulation of plans for our province's economic and social development; the drafting of population, education, and employment policies; the centralized planning of the people's material needs and cultural activities; and the development of our province's economy.

Xu Xingguan asked census organs at all levels and all related departments to emphasize the successful completion of analysis, research, development, and utilization of census information, in order to contribute to the economic and social development of our province.

## TRANSPORTATION

### Datong-Qinhuangdao Rail Project Nears Completion

*OW2011080490 Beijing XINHUA in English  
0704 GMT 20 Nov 90*

[Text] Beijing, November 20 (XINHUA)—The second phase project of the Datong-Qinhuangdao Railway is in its final stage and near completion.

The Ministry of Railways initiated the project in June, 1988. As of the end of October, over 80 percent of the entire work load had been completed. In particular, only one bridge, of the 118 total, remains to be erected on the 242.2 kilometer long line; and four of the nine tunnels have been completed.

In addition, 146.7 kilometers of rails have been laid.

### Shenyang To Build High-Speed Urban Beltway

*91P30046A Beijing JINGJI XIAO XI BAO in Chinese  
3 Nov 90 p 2*

[Text] China's first high-speed urban beltway will be built in Shenyang during the Eighth Five-Year Plan. The Ministry of Communications has designated the beltway, which is 85 kilometers long, 26 meters wide, and costs 810 million yuan, as one of the Eighth Five-Year Plan's key highway projects and as a national beltway demonstration project.

### Shenyang Railway Bureau Makes Technical Progress

*OW1711093590 Beijing XINHUA Domestic Service  
in Chinese 0024 GMT 14 Nov 90*

[Text] Shenyang, 14 Nov (XINHUA)—The Shenyang Railway Bureau has relied on scientific and technological advancement to ensure a steady progress in railway transportation. It has made 596 scientific and technological achievements in recent years.

Handling a quarter and one-sixth, respectively, of the nation's passenger and freight rail transportation, the Shenyang Railway Bureau is a 100-year old enterprise, characterized by old equipment, backward technology, and a conspicuous contradiction between its transportation capacity and volume.

Since 1984, the Shenyang Railway Bureau has attached importance to scientific and technological advancement as a strategic goal for the enterprise's development. While contracting out the management of scientific research organizations at three levels, it has expanded and adjusted its science and technology commission, with the bureau chief concurrently sitting as chairman of the commission. Compared with the last two years of the Sixth Five-Year Plan, in the first four years of the Seventh Five-Year Plan, projects that passed assessment tests at and above the bureau level increased by 65 percent annually; those that won the Railway Ministry's scientific and technological advancement prizes increased from the annual average of 2.7 to 8.2; and those that were awarded state scientific and technological advancement prizes as well as invention prizes increased by over 100 percent.

By fully tapping the talents of the scientific research personnel, the bureau has concentrated its efforts on tackling technical problems in transportation service, where solutions are badly needed. The laying of seamless rails on trunk railway lines posed a technical problem for the welding of steel rail joints. Cai Shaowen, senior engineer of the Jinzhou Railway Scientific Research Institute, together with a few technical personnel, worked hard to overcome the problem and successfully developed the "movable pneumatic welding machine and support system for 60-kg steel rail," which won the First Grade State Award for Science and Technology Advancement. The system has been classified as a component part of the new technology in the seamless rail system in the national railway network.

Another feature in the development of the Shenyang Railway Bureau through scientific and technological means was the promotion of activities among the masses to tackle difficult technical problems. In this respect, technical invention competitions have been organized for all its workers and staff members. Over the years, workers and staff members of the bureau have completed over 70,000 technical renovation projects, bringing in calculable economic benefits of more than 360 million yuan.

With the widening application of new techniques, technologies, equipment, and materials, the bureau's transportation service has improved greatly. In the first four years of the Seven Five-Year Plan, it achieved a 2.2 percent annual growth rate in goods transportation. In 1989, the annual transportation volumes of passengers and goods were six and five times, respectively, that of the early years of liberation. The bureau has been ranked as a state second class enterprise.

**Tianjin Open Air Freight Transportation Center**  
*SK1311092290 Tianjin City Service in Mandarin*  
*2300 GMT 9 Nov 90*

[Summary] "On the morning of 9 November, the municipal government and Air China held a grand ribbon-cutting ceremony at the Tianjin Airport to celebrate the operation of the first Boeing 742-200F air freighter in China and the opening of the Tianjin Freight Transportation Center. Yuan Mu, director of the Research Office of the State Council, and Nie Bichu, mayor of the municipality, cut the ribbon. Xu Bailing, president of Air China, and Zhang Lichang, executive vice mayor of the municipality, gave speeches."

The operation of the Boeing 747-200F freighter and the Tianjin Freight Transportation Center marks a milestone in China's air freight transportation. The Boeing 747-200F will be put into service in the China-U.S. air route in the near future. The Tianjin Freight Transportation Center is China's first air freight transportation center. Its total floor space is 15,000 square meters, including 10,000 square meters of cargo warehouse. Its parking apron covers an area of 28,000 square meters, capable of accommodating two large freighters simultaneously.

"Also attending the ribbon-cutting ceremony were Yan Zhixiang, deputy director of the Civil Aviation Administration of China, and Bai Hualing, Mao Changwu, Zhang Zhaoruo, Li Zhendong, Song Pingshun, Xiao Yuan and Fang Fang, all municipal leaders."

## AGRICULTURE

**Strategies To Improve Consumption Level, Diet**  
*90CE0515A Beijing NONGYE JINGJI WENTI*  
*[PROBLEMS OF AGRICULTURAL ECONOMY]*  
*in Chinese No 8, 23 Aug 90 pp 26-30*

[Article by the Consumption Level and Diet Research Task Force: "Research on Intermediate and Long-Term Consumption Levels and Dietary Improvement Strategies in China"]

[Text] The tasks at hand are to deepen our understanding of the laws of economic development by conscientiously reviewing and analyzing the evolution of consumption levels and dietary composition in China over the past 40 years; to predict, comprehensively and scientifically, the possible effects that each limiting factor may have on improving our diet; to plan an intermediate and long-term dietary improvement strategy suited to China's specific conditions; and, correspondingly, to draft the policy proposals necessary for achieving this strategy.

### I. A Review and Summary of the Evolution of Consumption and Diet in China

A. To help us deepen our understanding of the inherent links between economic development, higher consumption, and improved diet, it is essential that we divide the past 40 years of our history into three stages for review.

The historic period from 1952-1957 was the period during which China first undertook large-scale economic construction. Because we paid close attention to the link between accumulation and consumption, production grew fairly rapidly and consumption and diet improved noticeably.

Between 1958 and 1978 China erred seriously in its economic development strategy. At the cost of sacrificing agriculture and light industry, we unilaterally developed heavy industry and for a long time left improvements in consumption out of the industrial progress equation. In addition, during this period of time serious mistakes were made in population control policies, so that consumption increased very slowly and diet improved hardly at all.

Beginning in 1979 China entered a new phase of economic development. We undertook economic restructuring; readjusted the relationship between agriculture, light industry, and heavy industry; and took care to make use of the role that consumption growth plays in guiding production. As a result, we adopted an effective population control policy, expanded employment, strikingly increased consumption, and radically improved dietary composition. However, in the last few years of this stage policy errors have led to over-rapid growth in consumption, exacerbating the discrepancy between food supply and demand.

B. We can draw the following conclusions from our review of consumption growth and dietary improvements since the PRC was founded:

1. As far as the choice of economic development strategies is concerned, either stressing the priority of heavy industry or focusing on consumer supply and demand would conflict with current economic and resource conditions. We must give equal attention to developing production and improving consumption.

2. The more prudent proportional relationships between national economic development and a) overall growth in consumption, and b) average per capita consumption, can be expressed as follows: for each one percent increase in the national income, overall consumption should rise 0.9-1 percent and per capita consumption should rise 0.6-0.8 percent.

3. Improvements in consumption and income levels are a prerequisite for improving diet. As consumption increases Engels' coefficient will change correspondingly. Data from the past 40 years of experience indicates that Engels' coefficient drops eight percent each time the consumption level doubles.

4. Agricultural production, particularly average per capita grain holdings, has a major effect on dietary improvement. The experience of the past 10 years reveals that consumption of animal products increases approximately 1 jin for every 4-jin increase in the amount of grain per capita.

5. The factors which are most intimately associated with and have the greatest effect on increasing consumption levels and improving diet are as follows: economic development, accumulation ratio, population growth, consumption mix, per capita grain holdings, capacity to participate in international exchanges, changes in commodity prices, and credit policies. Forecasting and analyzing the interrelationships among these factors is prerequisite to strategic planning on dietary development.

C. To plan our future strategy for dietary development, in addition to examining the essential forecast data on the aforementioned factors, we must also work hard to resolve and control the problems that now affect diet and consumption level in China. The first of these is that the Chinese diet and consumption level still lag behind international and scientific nutritional standards. Second, grain consumption is high and efficiency is low in the production of animal products in China, and the ratio of pork consumption to other kinds of meat is too high. Third, dietary customs in China are irrational: ordinarily we are frugal, but on New Year's Day and other festivals we eat and drink to excess. Fourth, we produce and consume too much tobacco, liquor, and other habit-forming products.

## **II. A Forecast and Analysis of Factors Which Limit China's Dietary Development Strategy**

To plan China's dietary development strategy scientifically over the next 5, 10 and 30-year intervals, the focus of our analysis and research must be on economic development, consumption levels, population change, the state of agricultural raw materials, the consumption mix, and our capacity to participate in international exchange.

### **A. Economic Development**

Our overall assessment is as follows: from now until the year 2000 economic development in China will be entering the intermediate phase of industrialization. During the Eighth and Ninth Five-Year Plans our GNP will grow at an average rate of 6.3 percent and 5.7 percent per year, respectively. We project that our GNP (figured here and below at 1987 prices) will reach 1.9144 trillion yuan by 1995 and 2.5295 trillion yuan by the year 2000, and the national income will rise an average of 5.8 percent and 5.2 percent, respectively, to 1.5338 trillion yuan in 1995 and 1.9827 trillion yuan in 2000.

After the year 2000 China will continue in the intermediate phase of industrialization and enter the initial stage of transition to the final phase of industrialization. Our GNP will continue to grow at the rate of 4.5 percent per year, and we project that by 2020 it will reach 6.0917

trillion yuan. We can anticipate that the national income will continue to grow at the rate of four percent per year, reaching 4.3433 trillion yuan by 2020.

### **B. Accumulation Ratio**

China's average annual accumulation ratio will remain at 32 percent or so until the year 2000. Consequently, the pace we adopt in increasing our consumption level cannot be too fast. After 2000, as economic development turns from intensive growth to extensive growth and more effective use of resources, the necessary inputs will decline. At that time the accumulation ratio will decline from 32 percent to 30 percent or lower. It is possible that the increase in overall consumption level will essentially keep pace with growth in national income.

### **C. Population Change**

As a preliminary forecast, we estimate that during the Eighth and Ninth Five Year Plans and the first 20 years of the next century the rate of natural population growth in China will be 1.41 percent, 1.31 percent, and 0.79 percent, respectively. In absolute figures, the population should be 1.2 billion in 1995, 1.28 billion in 2000, and 1.5 billion in 2020.

To summarize the above analysis, during the Eighth and Ninth Five Year Plans and the first two decades of the next century, the basic trend of correspondence between production growth and increases in China's per capita consumption level will be as follows: During the Eighth and Ninth Five Year Plans the increase in per capita consumption level will lag behind production growth; after the turn of the century it will gradually close the gap. Our specific predictions are as follows:

1. During the Eighth Five Year Plan overall consumption will grow by 5.2 percent per year, reaching 8.45.8 billion yuan per year by 1995; per capita consumption will increase by 3.7 percent per year, reaching 699 yuan per capita per year by 1995.
2. During the Ninth Five Year Plan overall consumption will grow by 4.9 percent per year, reaching 1.0043 trillion yuan per year by 2000; per capita consumption will increase by 3.6 percent per year, reaching 833 yuan per capita per year by 2000.
3. From 2000 to 2020 overall consumption will grow at the rate of four percent per year, reaching 2.3599 trillion yuan per year by 2020; per capita consumption will increase by 3.2 percent per year, reaching 1,560 yuan per capita per year by 2020.

### **D. Agricultural Resources**

Although China has a wealth of natural resources, on a per capita basis the amounts are fairly small and constantly shrinking. Our preliminary projections are that by the year 2000 there will be 1 mu of arable land, 3.7 mu of grassland, 1.4 mu of forest land, and 2,200 cubic meters of aquatic resources per capita; by 2020 those figures will be 0.9 mu, 3.2 mu, 1.2 mu, and 1,740 cubic

meters, respectively. This tells us that the growth situation in agricultural production in China, particularly in grain production, is critical. However, when we consider the effects of science and technology and suitable increases in agricultural inputs on raising our output of agricultural goods, we predict that by the year 2000 outputs of grain, meat, eggs, and aquatic products will grow to 500 million-plus tons, 32 million tons, 16 million tons, and 18 million tons, respectively, and per capita grain holdings will measure 400 kg. By 2020 these figures will rise to 680 million tons, 45 million tons, 22.5 million tons, and 30 million tons, respectively, and per capita grain holding s will measure 450 jin.

#### **E. Consumption Pattern and Composition**

Right now the consumption pattern in China is characterized by egalitarianism, supply and partial supply systems, and welfare; and, it involves a low degree of commercialization and socialization. The composition of spending on consumption is slanted primarily toward food purchases, and Engels' coefficient is high. For this reason, we must commercialize housing, institute reforms in medical and old-age insurance and education, and gradually broaden the scope of consumption to establish a more reasonable consumption pattern and a better mix of expenditures. We project that if we begin now, by the year 2000 the pattern and composition of consumption in China will reflect a comfortable lifestyle: Engels' coefficient will drop to 50 percent or less and the ratios of service expenditures on housing and education will rise to around 11 percent and 7.5 percent, respectively. The period from 2001 to 2020 will mark the gradual transition from a comfortable lifestyle to a prosperous one. Engels' coefficient will drop to about 40 percent, and service expenditures on housing and education will increase to 14 percent and 12 percent, respectively. The trend will be towards a reasonable pattern and composition of consumption.

#### **F. The Possibilities for Participation in International Exchange**

Because foreign exchange is in short supply in China, and because the world grain market has limited supplies, there is little room for us to import grain to improve our diet. Grain supplies must continue to come from domestic sources.

### **III. China's Intermediate and Long-Term Plans To Raise the Food Consumption Level and Improve Diet**

A. Based on people's diet and absorption of nutritional elements, we can delineate three general patterns of consumption: the American pattern, the Japanese Pattern, and the developing-nation pattern. The most prudent one is the Japanese pattern, which features a very even balance of animal and plant foods and a quite moderate absorption of nutrients. At this time China still conforms to the developing-nation pattern, but as production grows our consumption level will increase and our diet will improve.

B. Based on China's dietary customs and national circumstances, and borrowing on the experiences of other countries, in the future consumption should improve along the following lines: we will suitably increase the proportion of animal foods in our primarily vegetarian diet, take full advantage of soybean foods, and, as we guarantee the essential consumption of cereal foods, we will simultaneously increase consumption of vegetables and fruits. We will combine traditional and modern processed foods and move toward a more diverse, scientific, and convenient diet. Gradually, a prudent diet suited to China's national circumstances will emerge.

C. Whether we achieve our intermediate and long-term dietary goals and appropriately raise the ratio of animal foods in our diet depends largely on the future balance between grain production and sales and the level of fodder grain supplies we can meet. Preliminary projections on major grain needs are as follows:

1. The total quantity of grain to be used directly for daily use (including grain rations and grain used by the food industry for pastries and so forth) is projected at 339 billion kg (including 328 billion kg for grain rations) in 1995, 361 billion kg (348 billion kg for grain rations) in 2000, and 405 billion kg (386 billion kg for grain rations) in 2020.
2. Grain for industrial uses, including nonstaple brewery uses, alcoholic beverages, and nonfood industrial uses, is projected at 27.1 billion kg in 1995, 32.9 billion kg in 2000, and 39.7 billion kg in 2020.
3. Seed grain use is projected at 20 billion kg per year, figured at a sowing rate of 12 kg per mu and a sown area of 1.66 billion mu.
4. Fodder grain use (including usable byproducts of grain processing) is projected at 79.2 billion kg in 1995, 84.5 billion kg in 2000, and 195 billion kg in 2020.
5. Other grain uses are projected at 11.8 billion kg in 1995, 13.3 billion kg in 2000, and 22.0 billion kg in 2020.

According to the above calculations for each time frame, we will need a total of 470 million tons of grain in 1995, 510 million tons in 2000, and 680 million tons in 2020.

D. We have researched and established an intermediate and long-term plan for food consumption levels and dietary composition in China based on a comparative analysis of different food consumption patterns, consultations with nutritionists on standards to meet Chinese nutritional and dietary needs and, in particular, our estimates of various limiting factors and calculations of grain equilibrium. This plan retains dietary traditions that Chinese people are accustomed to while also incorporating reasonable elements from the Western and Japanese diets. It essentially embodies the principles of scientific rationality, practicality and feasibility, domestic origin, and gradual improvement.

The specific stage by stage goals in our intermediate and long-term plan for Chinese food consumption levels and diet are as follows:

By 1995 people should consume, on average, the following quantities of staple foods each year: 200 kg of grain rations (in finished products); 6.5 kg of vegetable oil; 21.5 kg of meat; 8 kg of eggs; 10 kg of aquatic products; 7 kg of dairy products; 6.5 kg of sugar; and 15 kg of fruit. By comparison with 1988, grain consumption will remain stable, but consumption in all other categories will increase to varying degrees. The average daily diet should supply 2,630 calories, 67.8 grams of protein, and 63.5 grams of fat, up 3.4 percent, 6.4 percent, and 10.2 percent, respectively, over 1988. The proportion of calories and protein derived from animal products should rise from 11.4 percent and 14.3 percent, respectively, in 1988, to 13.2 percent and 18.5 percent, respectively, by 1995.

By the year 2000 people should consume, on average, the following quantities of staple foods each year: 200 kg of grain rations (in finished products); 7 kg of vegetable oil; 24 kg of meat; 11 kg of eggs; 12.5 kg of aquatic products; 10 kg of dairy products; 7 kg of sugar; and 20 kg of fruit. By comparison with 1990, grain consumption will remain stable or decrease slightly, but consumption in all other categories will increase to varying degrees. The average daily diet should supply 2,700 calories, 70.7 grams of protein, and 68.1 grams of fat, up 2.5 percent, 4.1 percent, and 7.2 percent, respectively. The proportion of calories and protein derived from animal products should rise to 14.1 percent and 21.7 percent, respectively.

By 2020 people should consume, on average, the following quantities of staple foods each year: 190 kg of grain rations (in finished products); 10 kg of vegetable oil; 30 kg of meat; 15 kg of eggs; 15 kg of aquatic products; 20 kg of dairy products; 7.5 kg of sugar; and 45 kg of fruit. By comparison with 2000, grain consumption will decline slightly, but all other categories will increase substantially. The average daily diet should supply 2,800 calories, 73.3 grams of protein, and 82.7 grams of fat, up 3.6 percent, 3.7 percent, and 21.4 percent, respectively. The proportion of calories and protein derived from animal products should rise to 17 percent and 27.2 percent, respectively.

#### **IV. Policy Suggestions**

In order to achieve China's intermediate and long-term dietary development plan, we must propose strategies for studying the links between food production, circulation, distribution, and consumption. Our overall policy goals are to make a great effort to tap potential, implement a suitable consumption policy, make prudent adjustments, broaden the sphere of consumption, and provide correct guidance.

#### **A. Work Actively To Tap Potential, Work Hard To Increase Supplies**

We must work hard to increase food supplies by developing production, revising the crop mix, taking advantage of science and technology, increasing inputs, and prudently exploiting national and food resources.

#### **B. Implement a Suitable Consumption Policy**

Given China's long-term economic development needs and national conditions, we have no choice but to adopt a suitable consumption policy and preserve the mutual correspondence between growth in consumption and growth in production. For this reason we must handle the proportional relationship between accumulation and consumption in a prudent fashion and ensure the following things: social consumption funds must not grow faster than the national income; the average wage for workers and staff must not grow as fast as labor productivity; increases in peasant incomes should not exceed the rural economic growth rate; and growth in individual and collective purchasing power should keep pace with the proliferation of social consumer goods, thus maintaining a correspondence between the growth of valid demands for food products and the development of production in agriculture and the food industry.

#### **C. Make Prudent Adjustments**

We must adopt economic, administrative, and legal means to make prudent adjustments in food production and consumption to ensure stable growth in the former and appropriate development in the latter.

#### **D. Produce an Optimum Consumption Pattern and Broaden the Sphere of Consumption**

By intensifying reform and developing production, we must eliminate the various abuses that exist in the consumption pattern and composition today and gradually establish a more rational consumption pattern and composition suited to our national conditions: We should methodically promote commercialization in housing, gradually reform our medical and retirement insurance system, and direct a portion of people's income into home and social insurance; we should reform the educational system and increase the individual expenditure on education; we must encourage people to turn their consumption funds into production funds; and we should actively develop tertiary industries, promote the socialization of household labor, and expand people's noncommercial expenditures.

#### **E. Provide Correct Guidance**

We must enhance consumption policies and scientific research into nutrition; make use of diverse media to spread information about nutritional health; advocate a healthy atmosphere of prudent, balanced consumption, opposition to waste, and strict economy; simultaneously, we must work hard to train nutritional experts.

### 'Significant' Income Gap Between Rural, Urban Areas

OW0312132690 Beijing XINHUA in English  
1310 GMT 3 Dec 90

[Text] Beijing, December 3 (XINHUA)—The living conditions of Chinese farmers have improved over the last five years and their per capita income has risen from 398 yuan in 1985 to 630 yuan this year—an increase of 58.8 percent.

Figures released by the State Statistics Bureau indicate that the number of low-income rural families has decreased, while high income families have increased during the past five years.

The bureau said that the number of rural families with per-capita annual income below 200 yuan has decreased from 32.2 percent of the total in 1985 to 4.7 percent in 1989, while those earning 500-1,000 yuan has risen to 40.4 percent. There were an additional 13 percent of the families with per-capita income of more than 1,000 yuan.

Annual expenditures increased from 317 yuan in 1985 to 535 yuan, or an increase of 14 percent.

An average Chinese farmer owned only 14.7 square meters of housing in 1985, but the figure was increased to 17.2 square meters by 1989. During the period, most of the houses were built using brick and wood or cement, or were iron and steel structures.

In 1989, every 100 rural families owned 48.5 radios, 113.4 bikes, 55.8 sewing machines and 173 watches. In addition, the number of cassette recorders, electric fans, washing machines and television sets also increased.

Chinese farmers have also spent more money on entertainment and cultural studies. The statistics show that an average Chinese farmer now spends over 30 yuan on newspapers and magazines and recreational activities annually. Many farmers attend lectures on reading and writing, as well as other technical training courses. As a result, the illiteracy rate among farmers has decreased by 19 percent in five years.

In spite of the increase in the farmers incomes, officials from the bureau said that the increase rate is slower than was recorded in the period from 1981 to 1985, and that the gap between rural and urban residents is now even more significant.

The officials suggest the need for a more rational pricing system for farm products and reduction of the burden on farmers in order to ensure a continued improvement of their living standards.

### Growth Reported in Pesticide Industry

HK0312030290 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 3 Dec 90 p 2

[By staff reporter Zhang Yuan]

[Text] China is expected to become the world's third largest pesticides producer after the United States and the

Soviet Union with a forecasted output of 210,000 tons this year, BUSINESS WEEKLY learned from the Ministry of Chemical Industry.

The output represents a five percent increase over last year's 200,000 tons, according to a report released by the ministry.

Pesticide quality has also improved thanks to an adjustment in product mix and the implementation of new technology in recent years.

The report says that more than 96 percent of pesticides produced in China are highly effective but low in poison content.

And the quality of some 20-odd pesticides are up to international level.

As a result, exports have risen—China exported 30,800 tons of pesticides last year, compared with 4,600 tons in 1985.

Foreign exchange earnings from pesticide exports last year came to \$72 million, 3.6 times the 1985 figure, the report said.

It said pesticide output last year was worth 5.49 billion yuan (\$1.06 billion) when counted at current prices. That was 397.8 percent of the 1985 output value.

Meanwhile, state-owned farm chemicals factories also saw a tremendous increase in profits over the past five years.

In 1989, they made 460 million yuan (\$88.5 million), which was 27 times that of 1985, the report said.

According to estimates, the report said, the increase in pesticides output helped China harvest an extra 25 million tons of grains, 28 million tons of vegetables, 400,000 tons of cotton, and 3.3 million tons of fresh fruit each year.

### Aflatoxin Contamination of Feed in Guangxi

91CE0025A Beijing ZHONGGUO SHOUYI ZAZHI /CHINESE JOURNAL OF VETERINARY MEDICINE/ in Chinese No 6, 11 Sep 90 pp 16-18

[Article by Feng Yuchu (0218 3768 7176) and Tang Jianrong (3282 1696 2827) of Guangxi Veterinary Epidemic Control and Quarantine Station]

[Abstract] Aflatoxin (AFT), which is highly toxic to man and most animals, is a metabolic fungal product in the flavococcocal group. Hogs have long since been known to become infected, mainly with liver disease and exhibiting yellowing subcutaneous fatty tissues each year from July to December in certain corn growing areas in Guangxi. In 1974, the authors made a clinical and pathological investigation of sick yellowing hogs in these areas and

isolated and identified molds in animal feed, determination of AFT<sub>B1</sub> in feed, as well as tested the poisonous effects by feeding toxic corn to hogs. It was proved that the condition of these yellowing sick hogs were caused by AFT<sub>B1</sub> in mold contaminated feed corn. The safe level of AFT<sub>B1</sub> was determined in daily hog feed (at Luchuan in Guangxi) with data listed in the one table included in the article. The safe level is established, provisionally, at 50 parts per billion of AFT<sub>B1</sub> in feed. Moreover, a series of toxin removal experiments were conducted on this contaminated feed mainly by avoiding the most favorable growth conditions for flavocal mold: temperature between 25 and 38°C, relative humidity at 85 percent or above, and close contact with soil. Sun drying of corn while it is exposed to ventilation in addition to washing of powdered corn provide effective means of detoxication. In particular, though representing only 14.5 percent of total weight, the germ of corn starch contains 80.8 percent of total AFT<sub>B1</sub>; thus, germ removal by repeatedly soaking powdered corn in water and slowly decanting water from the water basin serves to lower toxicity. The authors are grateful to senior veterinarian, Lai Jiakai [6351 1367 0418] of the Guangxi Veterinary Station for reviewing the article.

#### **Jiangsu 'Spark Program' Yields Good Results**

*OW3011054190 Nanjing Jiangsu Provincial Service in Mandarin 1015 GMT 28 Nov 90*

[Text] Jiangsu has accomplished ahead of schedule its "Spark Program" targets for revitalizing the rural economy under the Seventh Five-Year Plan. Over the last five years, Jiangsu has invested a total of 540 million yuan in 889 state, provincial, city, and county projects for the program. (?Seventy) percent of these projects have been completed, yielding an additional output value of 1.17 billion yuan, and extra profits and taxes of 210 million yuan. The amount of foreign exchange earned approximated \$100 million.

Initially, two comprehensive economic development zones for natural resources in Lishui and Kunshan; three intensive "Spark Program" zones in Changshu, Wuxi,

and Rudong; and 120 experimental scientific and technical rural enterprises, pilot production bases, industrial groups, and integrated production entities were established.

In addition to promoting regional economic development and speeding up the application of scientific and technical achievements in rural areas and the establishment of an agricultural services structure, the implementation of the "Spark Program" also is promoting the adjustment of the industrial structure and the product mix in rural enterprises, upgrading them, promoting the cultivation of technical personnel in rural areas, and improving the quality of rural workers, thereby contributing greatly to the all-round development of the rural economy.

#### **Liaoning Autumn Crop Area**

*40060011D Shenyang LIAONING RIBAO in Chinese 9 Nov 90 p 1*

[Summary] As of 30 October, the autumn crop area in Liaoning Province was 15,800,000 mu, an increase of 4,910,000 mu over the same period in 1989, and fulfilled 71.8 percent of the task.

#### **Shandong Rural Savings**

*40060011C Beijing JINGJI RIBAO in Chinese 15 Nov 90 p 1*

[Summary] By the end of October, rural savings in Shandong Province totaled 30.69 billion yuan; per capita savings were 454.46 yuan. The average net income of farmers in Shandong has increased from 147 yuan in 1980 to 630 yuan in 1989. At present, over 80 percent of rural households in Shandong have saving deposits.

#### **Shanxi County Issues IOU's**

*40060011B Taiyuan SHANXI RIBAO in Chinese 9 Nov 90 p 4*

[Summary] Over the past few days, supply and marketing cooperatives and procurement departments in Lin County, Shanxi have issued about 2 million yuan in IOU's to farmers.

**Intellectuals Rebuked for Rejecting Cultural Heritage**  
*OW0511144490 Urumqi XINJIANG RIBAO in Chinese  
14 Oct 90 p 4*

[Article by Zhang Yue (1728 6390): "Traditional Culture Is the Foundation on Which New Culture Is Built"]

[Text] For some time in the past, the ideological trends to negate the cultural tradition of our motherland have been so rampant and sustained that they are still shocking and thought-provoking whenever we recall them.

During the 10 years of the Cultural Revolution, everything was negated by the gang of four. According to them, all aspects of the cultural heritage of our motherland, good or bad, are "black goods of feudalism, capitalism, and revisionism," which should be overthrown and wiped out completely. Not long after the people shook off the yoke of "cultural autocracy" and began to emancipate their minds and develop a new socialist culture, a group of "intellectual elite" appeared in society to frantically create public opinion to totally negate traditional Chinese culture. The group members unscrupulously belittled and smeared our national culture, clamoring that "the traditional culture should be totally denied," and that "the traditional Chinese culture should not have been inherited long ago" (remark by Liu Xiaobo). They advocated the replacement of China's "loess culture" with the "blue culture" of the West, alleging that "it is impossible for a new culture to flow out of the Huang He" (*River Elegy*). They even attributed our country's economic and cultural backwardness to the drawbacks of our race and said that we should "act as unfilial descendants to dig out the graves of our forefathers" (remark by Liu Xiaobo).

These two ideological trends appeared at different times and found expression in entirely different ways—one was "left"; the other was right—but they had the same goal. The former, with a "revolutionary" appearance, negated and wanted to "get rid of" all kinds of human culture, Chinese and foreign alike. The latter, flaunting the "reform" banner, totally negated Chinese culture and unscrupulously extolled the culture of the West in an attempt to replace Chinese culture with Western culture. The former was aimed at carrying out an obscurantist policy to serve the purpose of establishing a fascist dictatorship. The latter was bent on total Westernization with a futile attempt to set up a capitalist system in China. Quite clearly, the two ideological trends, both negating our traditional culture, were primarily political problems rather than pure cultural problems, and in the main they were issues dealing with current reality rather than with questions of the past. To achieve their reactionary political objectives, both adopted a stance of national and historical nihilism. Negating the traditional culture was only an expression of their nihilism.

China is one of the few countries in the world with an ancient civilization. In its several thousand years of

historical development, great China has always stood as a giant in the East of the world, while all other ancient civilized countries have declined one after another. Hegel, a great philosopher of the 19th century, made this remark when comparing the ancient civilized countries in the world: "The Chinese Empire, drained by the Huang He and Chang Jiang, is the only lasting country in the world" ("Historical Philosophy, the Eastern World, China"). The fact revealed by this conclusion was an absolute truth, which is worth reflection and deep thinking.

How could the old Chinese nation have the might to prop its state, unite its people, resist domestic trouble and foreign aggression, and always preserve its vigor and vitality? The root reason was that it had a unique and profound national cultural tradition, plus a steady and mighty national spirit impregnated with the quintessence of this tradition. Due to such national culture and spirit, it was able, during the long past, to assimilate useful nourishment from foreign cultures and to ceaselessly strengthen and renew itself so as to meet the needs of the times. On the other hand, it vigilantly resisted external influences that attempted to radically change China's national culture and spirit. It was able to defeat aggression and overcome crises so as to maintain the independence of the state and the nation.

It is absolutely impossible to take a nihilist stance to totally negate such a great country and such a great people who are characterized by a profound traditional culture. By trying to do so, they revealed not only their reactionary and ignorant nature in politics, but also their lopsided and erroneous methods of thinking.

Their first error was their failure to distinguish between the essence and the dross of a nation's culture. A famous thesis of Lenin's says that "there are two cultures in every national culture" (from *Critical Views on National Issues*). This is a thesis scientifically proven accurate by the actual conditions of various national cultures. Chinese culture, including both ancient and modern culture, contains democratic and progressive elements, which are the essence, and feudal and reactionary elements, which are the dross. Even in the socialist period, the outstanding and progressive elements of our culture have coexisted with its backward and decadent elements. Everything must be divided into two, and a nation's culture is no exception. We would be guilty of being metaphysical and one-sided if we were to approach a nation's culture as an integral whole without distinguishing between its individual parts and, accordingly, either accept it indiscriminately without digesting it or else reject it as something bad and worthless and cast it aside. This approach does not conform with reality and is detrimental to developing socialist culture. On this issue, the error in the past two decades was in treating our traditional culture and even the revolutionary culture after the May 4th Movement and the developing socialist culture as something bad and undesirable. They did so not because they lacked understanding, but because they were reluctant to approach our traditional

culture discriminately and to recognize the existence of profound, outstanding cultural heritage, which should be vigorously promoted and inherited as a valuable national spiritual treasure and introduced and popularized to other parts of the world to become a common cultural wealth for all mankind.

The second error was their failure to understand that new culture can be created only on the basis of inheriting and transforming the cultural heritage. In *The 18th Brumaire of Louis Bonaparte*, Marx said: "Men create their own history, but they cannot create history as they wish or under conditions they choose; rather, they create it under given conditions they happen to be in, conditions that come from the past" (*Selected Works of Marx and Engels*, Volume 1, p. 603). Given conditions are the cultural conditions created by mankind in a given historical period which cannot be transcended. Men cannot transcend the given conditions, just as they cannot lift themselves up from earth by holding their own hair. It is impossible to create a new culture by departing from the given conditions and from the outstanding cultural heritage created by their predecessors. Lenin also admonished people, saying, "It should be clearly understood that only when we truly understand and transform the culture created by mankind in the whole process of development can we truly build a proletarian culture" ("The Tasks of the Youth Leagues"). The formation of this Marxist revolutionary proletarian ideological system was precisely the result of the absorption and transformation of all the valuable elements in mankind's ideological and cultural development over the past more than 2,000 years, including the most precious achievements made in the times of bourgeoisie. Traditional culture is the condition and cornerstone in the creation of new culture. The socialist cultural achievements in our country were precisely the result of inheriting and transforming the national cultural heritage. However, the "left" and right national nihilists over the last 20 years were trying to abandon this tradition and to create their own "culture" as they pleased. Obviously, this cannot be done, and their failure is inevitable.

The third error was their failure to understand that our national cultural heritage grew in the process of continuous absorption of the nutritious elements in foreign cultures. Our country's ancient culture prospered and developed as a result of the absorption of the culture of the area west of Yumenguan, the Indian Buddhist culture, and the Arabic and Western European cultures. In modern times, our culture lagged behind others for a while because the country was politically weak and economically backward. However, for the sake of our country's survival and prosperity, our nation's fine talents have, in the past century and a half, sought to borrow from abroad and the West. Particularly since the May 4th Movement, the Chinese people have absorbed advanced elements in the Western culture to replenish and develop their traditional culture. On this foundation, they built a new national culture of new democracy and socialism. The Sinicization of Marxism-Leninism is

the most typical, most prominent example and proof. The borrowing of Russian literature and the literature of small and weak nations in Chinese literature is also a case in point. Naturally, in the course of borrowing, there emerged an unhealthy tendency to despise our own culture and worship Western culture. From long actual practice, however, people have seen clearly that only those parts of Western culture suited to China's national conditions can be assimilated. Things copied from the West regardless of their compatibility with our nation and people will eventually be eliminated by history. All attempts to replace the Chinese culture with Western culture are of no avail. Because of this, correct stands and practices such as "making foreign things serve China" and the "doctrine of taking in the useful things" have dominated the history of using foreign experience to transform our traditional culture. In the past few years, however, this fact has been denied by those vigorously advocating bourgeois liberalization. They negated our country's cultural tradition as a closed, reclusive, ignorant, and backward one. As for Western culture, especially the modernist culture, they blindly worshipped it and wanted to copy it wholesale. This means that their attitude toward the foreign culture departed from the correct position held by the older generation and retrogressed to the stand already proven erroneous by history. To sum up, the older generation has provided rich experience, both positive and negative, for us to deal with our traditional culture. In the interest of our national prosperity and the development of our motherland, we must constantly reform our tradition and, at the same time, carry forward the fine culture of our nation so as to reinforce our national pride and self-confidence and resist the infiltration of harmful foreign culture and the scheme of peaceful evolution. This phenomenon of "two opposite approaches" complementing each other is an intensive reflection of the valuable experience in dealing with our national culture amid the general trend in the modern world. After two decades' negation of our national culture and especially in the wake of the blind worship of the Western modernist culture in recent years, we must now make all-out efforts to develop the outstanding culture of our nation in order to pluck up our national spirit and build an advanced socialist culture. This is the most important task at this time.

#### **Survey of Contemporary Mainland Sexual Attitudes**

*91P30044A Shanghai MINZHU YU FAZHI /DEMOCRACY AND THE LEGAL SYSTEM*  
*in Chinese No 10, 12 Oct 90 pp 30-34*

[Article by the Shanghai Sexual Social Sciences Research Center: "Contemporary Chinese Sexual Problems"]

[Text] Sex is a major component of human life. It is relevant to the well-being and growth of youth, to the harmony and satisfaction of marital relationships, to the peace and unity of society. However, because of the influence of traditional attitudes, people take restrictive

and closed attitudes toward sex. Although conditions have undergone great changes in the 10 years of reform and opening up, a great many problems still exist. On the one hand, traditional attitudes toward personal restrictions have gradually been broken, and people have started to boldly seek the fullness of life's pleasures. On the other hand, a great many sexual problems have appeared in social life, such as young love, premarital sexual relations, extramarital relations, sexual disharmony in marriage, sexual crimes, prostitution, venereal diseases, obscene and pornographic products: They are developing and spreading. How are we to correctly handle these problems? To use scientific theories to correctly lead people to a new understanding of sex is a great challenge confronting those of us studying these sexual problems. Our country has gradually developed scientific research into these matters since the 1980's, but adequate quantitative analysis is still lacking. In order to establish a solid basis for such studies, and in order to supply the relevant departments with a foundation for policy decisions, our organization carried out a survey over a period of one year and three months period, from February 1989 to April 1990.

This was a comprehensive survey covering the six areas of the sexual physiological development of youth, sexual knowledge, sexual attitudes, marital relations, planned parenthood, and sexual crimes. The survey was conducted in 15 municipalities and provinces and 24 prefectures in Heilongjiang, Liaoning, Beijing, Tianjin, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, Guangdong, Sichuan, Shanxi, Henan, Ningxia, and Xinjiang. Over 500 people took part in the work, some 24,000 samples were taken, and 23,000 questionnaires were taken. Such a large sex survey is not only unprecedented in our country, but is also the largest such survey taken in the world.

Since this survey involved the most hidden aspects of people's lives, meeting with a great many problems was inevitable. Most of the survey work was conducted by questionnaire and roundtable discussion. Most of the expenses were borne by nongovernmental funds, some people even offered up their savings.

This survey elicited a broad range of interest and attention both at home and abroad; many publications and news services carried reports about it, calling it a great achievement in the building of a spiritual civilization and of scientific research in our country. Scholars from Taiwan and Hong Kong stated that the success of this survey "brought credit to the Chinese people," and "was really remarkable." Professor Hei-bai-le [7815 2672 2867], a West German and the former primary founder of World Sexual Studies Committee, said, "The successful completion of this survey is a new milestone in the development of sexual science in the world."

#### Regarding the Key Period of Youth

The period when people most obviously develop an interest in sexual questions begins in early youth. For

this reason, our "sexual culture" survey first of all concentrated on middle school students. We surveyed a total of 9,093 sample subjects, of which males represented 51.8 percent, females 48.2 percent. The survey was carried out in Shanghai, Beijing, Jinzhou, Qingdao, Xiamen, Guangzhou, Chengdu, Yinquan, and Wuxi.

Looking at the results of the survey, the physiological precocity of the present generation of youth is quite evident. Some 54.2 percent of the males reported seminal emission prior to the age of 14; 91.5 percent of the females reported the onset of menstruation prior to age 14. These figures are 1.3 and 1.5 years earlier than those of 50 years ago. According to our analysis, this is primarily a result of the improvement in material living conditions and in the level of medical service as well as the development of cultural propaganda. It is a worldwide developmental tendency.

Sexual physiological precocity has a very great influence on the development of sexual attitudes. The present generation of youth has a very great interest in sex. Before the age of 14, 63 percent begin to have yearnings in regards to the opposite sex, 39.11 percent begin to have contact with a sexual love flavoring with the opposite sex, 44.5 percent have experienced sexual arousal, and 28 percent believe that young love is both normal and beneficial. However, due to the effects of the sexual constraints and sexual taboos in social life, this curiosity is very much of a hidden nature. In a great many cases they hide this sexual curiosity in their hearts or elect to use some rather incorrect methods to achieve relief, such as masturbation. If they do not receive forthright, caring direction, they very easily go down the wrong pathways.

However, even though times have changed, in comparison with 10 years ago, the sexual knowledge of today's youth is much broader. The survey tested them with several questions, such as "Where does the fetus develop?" and 91.6 percent answered correctly; "Where do babies come from?" and 76.71 percent answered correctly; "What is the cause of venereal disease?" which 53.35 percent answered correctly; "Which disease are sexually related?" which 98.25 percent answered correctly. The number of male youth who already knew what was happening at the onset of seminal emission was 76.9 percent; and 75.28 percent of the females at the onset of menstruation already knew what this meant. Of these, 71.51 percent had had some sexual education, which represents a real advance of the period. However, problems remain. For one, there is the unequal development of different areas of the country. Shanghai does the best, with 82.7 percent of the total youth population receiving sex education. The more distant border provinces, such as Ningxia are relatively deficient, with a ratio of only 35.46 percent. Jinzhou in the northeast had only 52.45 percent; figures for other areas, such as Beijing, Guangzhou, Xiamen, Chengdu, and Qingdao ranged between 60 percent and 76 percent. In addition, the content of sex education is not extensive enough,

with physiological development constituting 71.28 percent of the content, the birth of life 9.91 percent, psychology of puberty 10.59 percent, and miscellaneous 8.72 percent. Education in the cultural morality of sex, the most important aspect of sex education, is lacking, and this is a failing. Sex education in our country is divided into two parts: First is education in the cultural morality of sex; second is sexual knowledge. Neither of these aspects should be neglected, but the first is the more important of the two. At this time there are some people in society who have misunderstandings about sex education, and this really should be corrected.

There are many sources of sexual knowledge for youth, with that coming from classroom studies representing 38.62 percent; that from medical and hygiene publications, 22.25 percent; and that from newspapers and magazines, 22.35 percent. The things that they feel the greatest need to know include: First is how to make contact with and fall in love with the opposite sex at 35.36 percent; second is the psychology of puberty at 33.14 percent; third is the physiology of sex at 14.3 percent. They exhibit a great deal of interest in books describing sex.

One problem at present is that there are really too few book which are based on scientific fact, and can provide positive guidance for youth in these aspects and which can elicit the interests of the youth. That youth are curious about sexual questions is an objective fact, and if scientific works do not satisfy it, then salacious and erroneous things will seize the opportunity to fill in the gap. There was a second-year middle school male student in Shanghai who encountered a great many questions during the course of his sexual physiological development, but had no where to go to get answers for his questions. He finally turned to an old man who ran a book stall. The old man gave him a number of obscene and pornographic magazines to read. He thus learned the bad things, and became a degenerate. The presently running campaign to "sweep out pornography" is certainly necessary, however, "interception" at most is a way to cure the symptoms; the key is in "rooting it out." The ideological battlefield of the broad masses of youth must be occupied by scientific knowledge and high moral sentiment.

The most common method by which youth bring about self-climax is through masturbation. According to the survey's analysis, 31.04 percent of the youth had engaged in various degrees of masturbatory activities. They expressed differing attitudes toward masturbation, with 10.84 percent considering it a normal activity, and 50.57 percent considering it a harmful practice, and 4.29 percent considering it wrong but that they had no alternative but to engage in it, and 29.82 percent finding it difficult to judge. From the viewpoint of modern science, as long as it is not engaged in excessively, masturbation is not very harmful. Of course, there is no need to promote it. There was one youth who had masturbated over a long period of time and thought that his "body had lost something." After getting married, in thinking

about this problem he became terror-stricken, and this affected his ability to function normally sexually to the point that he became impotent. This, of course, was totally unnecessary. It is only through the enhancement of sex education that we can scientifically handle the sexual problems of youth.

#### Perplexities on College Campuses

Another component part of our survey was directed at university students. College students are physiologically and psychologically more mature youths; their depth of knowledge is relatively great; the trends of much of their thinking and their activities reflect the direction of social development.

The scope of sampling in this sex survey included the nine areas of Shanghai, Chengdu, Qingdao, Zhejiang, Xiamen, Nanjing, Ningxia, Xinjiang, and Beijing, encompassing 3,360 students in 12 universities, of which 58.74 percent were male and 41.26 percent were female.

According to the survey, among university students, for 61.36 percent, the earliest recognition of the existence of sexual knowledge was from books, 16.01 percent derived the knowledge from schoolmates, 6.87 percent derived it from friends, only 6.55 percent received it from their mothers, and 4.99 percent from their teachers. Only 1.84 percent derived their knowledge from their fathers. This situation shows that, because the university students have a relatively high degree of reading ability, the role that books play is rather large, but the positive guidance afforded them by their homes, schools, and by society is very small, a fact which deserves serious attention. They have their own reservations about sex education as presently gradually being promoted in society; 89.88 percent of them consider it "too conservative," and only 8.30 percent believe it to be "very appropriate."

Actually, when these present-day college students were in middle school, they also confronted the same sexual perplexities. When they first experienced seminal emission or the onset of menstruation, only 57.66 percent of them "did not seek advice from someone else," while 16.91 percent of them were psychologically unprepared and panicked. Among them were those who felt they themselves were "too short in stature," "developed acne or freckles," "penis is too small," "breasts too small," and so felt troubled and worried; 23.66 percent of them worried as to whether or not they were sexually dysfunctional. This adequately speaks to the sexual perplexities on college campuses.

The item that deserves the closest scrutiny is the university students' sexual concepts. More than any other sector of society, they have broken the fetters of the yoke of feudalistic thought, but have also in great part accepted the influence of Western ideologies. For instance, in regard to premarital sex, 42.07 percent believe that, as long as it is based upon love, it is permissible; 36.25 percent believe that, as long as both parties desire it, it is permissible; 78.32 percent, the great majority, hold an attitude of fundamental approval of

this concept. Only 20.47 percent believe that premarital sex should come under moral censure. Add to this the attitudes toward extramarital sex, 31.17 percent believe that if both participants desire it and affection is present, then it should be allowed; 27.49 percent believe that if the spouses are able to accept it, then others should not interfere. Combining these two samples, 58.66 percent hold an attitude of fundamental approval of extramarital relations.

Our nation is presently undergoing a great social transformation in which everything is undergoing change, and social attitudes, including sexual attitudes are also changing. The conflicts of contradictions between old and new attitudes are continually occurring. This becomes relatively obvious when we analyze the trends in the thinking of university students. However, not all of these new ideas are correct, and not all of the traditional concepts are obsolete. It is extremely important that research be done on what the entire society should be promoting and what it should be opposing.

There is another difference that becomes evident when comparing the sexual problems of university students and those of middle school students. Because universities do not oppose students falling in love in the manner that middle schools do, 70 percent of the students experienced love affairs during their time in college, but 10.77 percent of the university students had sexual relations, of which 9.73 percent used contraceptive measures. At present on university campuses there exists a certain chaotic atmosphere. Some unmarried female students have repeated induced abortions; there have been instances of murders and suicides caused by sexual problems. The universities and the teachers feel extremely helpless in this situation.

As far as the youth, and especially university students, are concerned, we should not get the idea that if we do not talk about it they will know nothing about it. To allow them to accept erroneous ideas they hear on the street is not as good as allowing them to receive scientific and healthy ideas and reinforce it with positive understanding. At present, some universities in China are initiating sex education classes for their students, and these have been warmly welcomed by them. For instance, female students at Shanghai's Tongji University, after attending a sex education class, said that it was one of the most enlightening courses they had, and described the teacher of the course as "an intimate friend closer to me than my mother," and they opened up the recesses their hearts and told her all their secrets, and their erroneous ideas underwent tremendous changes.

#### The Harmony of Marital Sex Life

Looking at it from the aspect of contemporary society's moral standards and legal standards, the proper time for sexual activity is only when it takes place within the bounds of marital relations. There are many facts that prove that the presence or lack of harmony in a couple's

sexual relations has great impact on the marital relationship. We can say it this way, that to enhance the sex education of our youth, in a large sense, is to prepare for a long and blissful married life. For this reason, the present status of marital sex life was one of the important aspects of the "sexual culture" survey.

In this regard, the survey covered 7,786 samples, of which urban residents accounted for 82.18 percent and rural township residents 17.82 percent; 26.75 percent were male and 73.25 percent were female. This portion of the survey was carried out in the 14 areas of Shanghai, Suzhou, Guangzhou, Shenzhen, Yuci, Qixian, Kaifeng, Chengdu, Xiamen, Wuxi, Nanjing, Tianjin, Jinzhou, and Qingdao.

When questioned as to how satisfactory they considered their spousal relationship, 91.63 percent of the urban residents and 91.25 percent of the rural village residents characterized it as either satisfactory, relatively satisfactory, or generally bearable. From this it would seem that most marital relationships are relatively good. However, when asked, "When temporarily separated from your spouse, do you long for him?" 22.96 percent of the urbanites and 34.68 percent of the rural people answered that they did not think of him or it did not make any difference. When asked, "If your spouse temporarily left you, would you feel more relaxed," 40 percent of the city dwellers and 40.5 percent of the rural people answered yes or that it made no difference. When asked if they had ever thought that they would now be happier if they had married someone else, 36.6 percent of the city folk and 31 percent of the country folk answered that they frequently or occasionally thought this way. Looking at it this way, marital relations are not really that harmonious.

This state of affairs clearly reflects the fact that at this time the quality of a great many marital relationships is not high, the subjects' hopes for the marital relationship are not great, and they still do not understand what is true happiness and contentment. Because of their innate and relatively low cultural makeup, they think "As long as the other partner is okay, and life in the home is peaceful, there is food to eat, and clothes to wear, then I can be satisfied with it."

This situation is also reflected in their opinions on harmony within the couple's sex life. The percentage of those who said that their sex life was satisfactory, relatively satisfactory, or generally bearable was over 92 percent for both urban and rural village dwellers, however, the percentages of those having no precoital foreplay or less than one minute of foreplay were 17.3 percent for city dwellers and 34.2 percent for rural village dwellers; the percentages of those who engage in no amorous play except when having sex was 14.2 percent for urban and 16.8 percent for rural dwellers. The percentage of wives experiencing some genital pain during intercourse was 44.7 percent for urban and 36.9 percent for rural dwellers; 20.56 percent of urban and 17.59 percent of rural wives [had experiences wherein]

the husband desired intercourse and the wife did not want to but was forced to comply. From this it can be seen that the quality of the sex life of husbands and wives leaves much to be desired; however, because of their low cultural level and lack of sexual knowledge, many of the couples have not perceived that they still do not understand what is a truly harmonious sex life. The survey shows that in city and country, 30 percent of the husbands, when their request for intercourse meets with their wife's refusal (for psychological or physical reasons), resort to a forceful attitude; in 2 percent to 3 percent of couples, this affected the spouse's love. Considering the accusations levied by women in some divorce cases, they were not treated as human beings, but were only an instrument for the husband's ejaculation. Some husbands have forced sexual relations with their wives regardless of whether the wife is menstruating, whether it was immediately postparturition or postabortion, without regard to her life or death. Some husbands wreak inhumanly brutal sexual devastation upon their wives. These instances are truly the remnants of the slave and feudal societies' male sexist rights and barbarian customs in marriage relations.

The survey showed that couples having intercourse 2 to 3 times per month or 4 to 7 times per month were 31.88 percent and 45.47 percent for city dwellers, and 21.8 percent and 57.1 percent for rural residents; this is relatively normal for couples in the 26-45 year age range. Other indicators in this area of the survey were also relatively normal. However, something that is surprising is that the percentage who often change the manner of intercourse or sometimes change the manner was 59.55 percent for city and 45.08 for rural residents; and those who, when having intercourse with their spouse, do so entirely in the nude, were 62.3 percent in the city and 57.3 percent in the country. This situation is greatly different from the traditional customs of the Chinese people and shows that, after reform and opening up, the people are headed for some greatly enlightened and liberated changes as far as sex is concerned.

In regard to sexual attitudes, the majority of the answers given to questions about love, premarital sex, divorce, chastity/fidelity, association between the two sexes were relatively normal. Females who thought that marital sex was embarrassing represented 6.21 percent in the city and only 8 percent in the rural areas, neither ratio seriously high. When engaging in marital sex, the percentage of wives able to take the initiative was 69.3 percent in the city and 63.7 percent among rural dwellers. From this it is readily apparent that people have begun to take an enlightened attitude toward sexual matters within the past 10 years. What is astounding, however, is that 54 percent of city and 44.2 percent of rural residents believe that an extramarital love relationship could be understandable or would not have to be interfered with. This is highly divergent from the traditional attitude of condemning extramarital liaisons. This type of phenomenon needs serious attending and careful guidance.

There were other statistics which appeared for the first time. Couples who had engaged in intercourse with each other prior to marriage: 18.37 percent in the city and 15.25 percent in rural areas. Newlyweds who did not successfully consummate the sexual act on the first attempt on the marriage night: 13.1 percent city and 20.95 percent rural residents. Those who have had other sexual partners besides their spouse: 4.44 percent of urban males, 5.33 percent of rural males, 4.4 percent of rural females, but for urban females an unexpected 14.41 percent.

The above situations are not entirely normal. Although the percentage of those who have had sexual relations prior to marriage ranged from only 15.26 to 18.37 percent, the percentage of those who had intercourse but did not marry each other was double this. In 1989 Beijing instituted a premarriage physical exam and discovered that 75 percent of the females about to become new brides were not virgins. From the survey it seems that the ratio of those who have had extramarital sex is not low, but that 14.41 percent of the urban married women have had this type of experience is rather surprising. These problems, of course, should be corrected and resolved. The survey was carried out in order to understand the actual situation, to seek out the true causes, and thus guide male-female relations onto the healthy and correct path.

In summation, many of the statistics given above reflect the characteristics of the era, that contemporary society is undergoing profound changes and great development, that people's sexual attitudes and sexual relations are changing greatly, that progress is being made but backwardness remains, and that a great many contradictions are prevalent. How to encourage progressive and healthy lifestyles, how to eradicate ignorant and backward and unhealthy aspects, remains one of the most pressing tasks confronting us at the present time.

#### Bogged Down in Sexual Errors

As far as the majority of people are concerned, it is inevitable that this or that type of error will occur. However, if the error is allowed to continue to develop, then there can be qualitative changes, crimes can be committed, and the strict punishments of the nation's laws are levied. Study of these people is done not only to research into how to effectively reform them, but also to learn from past mistakes to avoid future mistakes, to induce the great majority of people to take warning, and so to reduce or even eliminate sex-related crimes.

We surveyed a total of 2,071 criminals and persons undergoing reform through labor in the eight areas of Beijing, Qingdao, Shanghai, Nanjing, Shenzhen, Chengdu, and Mishan. Of the sample, 69.63 percent were males, 30.37 percent were female.

As to the types of sexual offenses, male sex crimes of forced rape or gang rape represented 36.1 percent; hooligan licentious behavior, 38.6 percent. These were the

two main categories. For females, prostitution, at 98.7 percent, represented the majority of all sexual crimes.

As to the methods of carrying out sex crimes, violent coercion represented 13.1 percent; tricked into doing it, 17.11 percent; under the pretense of becoming lovers, 37.25 percent; and the remainder included group sex, reciprocal introduction, and so on. It is obvious that methodologies of sex offenses are gradually turning from the violent to the psychological type. As far as sex offenses of a violent nature are concerned, primitive methods of using knives, clubs, or ropes are becoming fewer and fewer, while the instances of using drugs to render the female unconscious or to loosen her self-control and then raping her have increased tremendously.

Regarding the target objects of the sexual act, male sex offenders having had one or two partners represented 42.1 percent; having had three or four partners, 22.07 percent; having had five or more, 35.83 percent. The percentage of female sex offenders having had five or more partners was 62.9 percent, a much higher percentage than for the males; the reason for this, of course, was that the majority of the females had engaged in prostitution. Among the target objects of the male sex offenders, adult females were 76.8 percent; underage females, 18 percent; old women, 1.5 percent; mentally deficient females, 2.4 percent; and close relatives, 1.3 percent. Of these, the ratio of underage females suffering harm deserves the special attention of society. They very easily become the targets of various evil persons' sex crimes because their parents and teachers neglect to care for and educate them, because there is a serious imbalance between their sexual physiological development and their sexual psychological maturity, because their sexual physiology is more developed while psychologically they are very immature, and their minds and bodies are totally incapable of resisting.

From the survey, the trend of sex offenders being younger and younger is very clear: those under 14 years old represented 5.59 percent; under 19 years of age, 54.9 percent; under 29 years of age, 88.9 percent. It is clear that the vast majority of sex offenders are young people, and 67.54 percent of them had never married.

We payed special attention to investigating the causes for their downslide into sex offense criminality. The first was early sexual maturity: 5.61 percent of the female offenders experienced menstruation prior to 10 years of age, while the normal percentage is 1.05 percent. First menstruation between 11 and 13 years, 68.22 percent, while the normal figure is 32 percent; at 14 to 15 years was only 17.6 percent, while the normal figure is 58.5 percent. If development is early, then the first age of sexual intercourse is also low: Those who experienced sexual intercourse before the age of 10 represented 3.27 percent; from 11 to 15 years, 29.6 percent; 16 to 20 years, 56.2 percent; 21 to 25 years, 7.8 percent; and over 26

years of age, 3.1 percent. Thus, 33 percent had sexual intercourse before age 15, and 89 percent had done it before age 20.

On the motives for the crimes, the differences between male and female were very great. Of the males who committed sex offenses, 40 percent did it out of curiosity, 46 percent were seeking happiness; these were the two main motives. As far as the females were concerned, 45 percent were seeking money or material benefits, 19 percent did it seeking revenge. That the percentage of those seeking revenge was so high reflects the law that in today's society females are incessantly subjected to humiliations, are objects of manipulation, and that, under certain circumstances, those to whom evil is done will do evil in return.

From the situation of some the younger female sex offenders, it seems that their downfall went in three stages: The first step was, being young and naive, they were subjected to some humiliation, were manipulated, or committed some small mistake, or merely that they did something not permitted by society. The second stage was when they came under attack at home or at school; and the third, with the psychology of writing herself off as hopeless and not caring for consequences, was taking revenge on society, and coming within the embrace of evil, criminal elements. For instance, there was one second-year middle school girl who was given a grave demerit for engaging in premature romantic activities; her parents cursed her as "shameless" and threw her out of the house. With no place to go, she was tricked and seduced by a rogue, and eventually became a female hoodlum. Besides this, families, schools, and society have a very great responsibility to the very many people who have been cheated in love, who have lost their virginity and then been abandoned and so "want to take revenge on all men," who have been manipulated by those in power and thus want "to manipulate all men," and who "because society does not want me, want nothing to do with society."

In the past people have by and large thought that the reason young people committed crimes lay with the family, that the thing "dyed with blue becomes blue." From the results of this survey, the deficiencies in the family situations are not evident; the parents of these sex offenders generally tended to have lower educational levels with normal economic situations, but very few were from morally corrupt families. However, we did discover that youthful sex offenders had a serious tendency to be at odds with their families. Those who seldom spoke with or had no intercourse with their mother and father represented 62.2 percent; 49.5 percent considered their families as dull, as lacking warmth, as lacking stimulation. For these reasons they often spent time out of the house, and at the same time were subject to society's negative influences.

Because they lacked positive guidance, and naturally there were other internal and external influencing factors, the interests of these sex offenders was of a rather

low level. Only 5.2 percent of them ordinarily read educational material, but 77.9 percent of them liked to read material with a sexual or fighting and killing content. When reading sexual material, 34.5 percent became sexually aroused, and 15.1 percent wanted to try it themselves. It can be seen that this is an extremely important inducement to the enactment of sex crimes.

Another aspect for attention is their performance after serving their sentence or doing reform labor: 13.2 percent blamed another person and absolved themselves, while 6.7 percent were not remorseful or did not care one way or another.

The facts prove that prevention depends greatly upon control, while elimination depends greatly upon blocking. The better the coordination of these two types of effort, the greater the achievements in this area.

The above is very simple paraphrase and broad outline of the results of this survey. Deeper analysis and study of this material must follow, the work of several years to come. At the same time, the subjects of this survey were the common masses, the general run of youth, normal husbands and wives. This was necessary, but it is going to be necessary to survey some special categories of people to fill in the gaps. In the next two to three years we want to carry out a second survey (supplementary survey), to cover the sex problems of older people, of disabled people, of the military, of the minorities, and of homosexuals, in order to continue the furtherance of these studies.

(Note: A detailed analysis of the circumstances of and the materials collected in this survey will be contained in a special collection of survey reports to be published by the Shanghai Sanlian Bookstore.)

#### **Analysis of Abduction Cases in Rural Anhui**

*91CM0011A Shanghai SHEHUI /SOCIETY/  
in Chinese No 8, 20 Aug 90 pp 4-7*

[Article by Chen Rongsheng (7115 2837 0581) entitled: "Rescuing Victimized Women, Protecting Innocent Children"]

[Excerpts]

I

Since 1980, in many Anhui villages with populations over 5000, the abduction of women and children has become a very common and serious occurrence. [passage omitted]

In order to clarify the seriousness and perniciousness of this problem, we may as well look first at the following statistics.

These are statistics on the abduction of women and children in the Su County region of Anhui province since 1980.

<b>I. Population of Those Abducted</b>					
Number of Abducted			Anhui Natives	From Other Provinces	Vietnameses, Burmese
Women	Children	Total			
32632	47	32679	2103	30481	4

<b>II. Age of Those Abducted</b>				
Under 14	Over 14	Over 18	Lowest Age	Highest Age
623	10,879	21,177	12 years old	53 years old

<b>III. Marriage Status and Educational Level of Those Abducted</b>				
Married	Single	Illiterate	Middle School and Below	High School
10,873	21,759	10,197	20,394	2,041

Anhui Traders	Traders From Other Provinces	Total	Regions Where Women and Children Are Abducted	Nationalities of Women and Children Abducted
392	397	789	Yunnan, Guangdong, Sichuan, Guizhou, Shaanxi, Hubei, Gansu, Anhui	Zang, Zhuang, Dai, Miao, Tu, Vietnamese, Burmese

#### **II**

After being abducted, women and children suffer untoward humiliation at the hands of buyers and sellers. This is mainly reflected in the following:

1. Many traders in human beings deceive the women in their possession, in many cases raping them before selling them, satisfying the trader's carnal desires and desire for money. In Dagangzi Village, Muji Township, Xiao County, when trader Shi [2514] and his wife Song [1345], in collusion with trader Chen [7115], abducted a woman from Shaanxi Province, Chen sexually abused her, and afterwards sold her for 3,200 yuan to Han [7281] from Chentun Village, Yanglou Township, who wanted her as his wife. Despite the fact that later the woman was rescued by the government and the trader fled, the woman was forced to bear this humiliation, and returned to her home nursing hatred against her abductors.

2. After they buy women and bring them home, quite a few buyers tie them up and beat them, rape them, and then marry them, coercing them to become wives. Zhang [1728], a 17-year old female worker from a certain factory in Wuhan, Hubei Province, was duped and deceived by trader Chen [7115], who used engaging in the "silver trade" as bait. She was deceived into coming to Miaoan, in Su County, and was sold for 2,600 yuan to Cao [2580] of Sunwafang Village to be his wife. After the truth came out, Zhang resolutely resisted, and was bound by Cao, and later raped. Zhang found it hard to escape from this difficult situation and had no way out. However, after she was rescued from an unsuccessful attempt to drown herself in a river, Cao X sold her in order to avoid suffering an economic loss. He sold her for the original price of 2,600 yuan to Sheng [5110] of Jia Village, Shinan Township, to be his wife.

3. Many women, wandering destitute and far from home, allow themselves to be trampled upon, and are powerless to resist; they suffer wrongs and eventually die. Sun [1327], a trader in human beings from Changfen Village, Huaiyuan County, colluded with Yang [2799], a trader from Zoumiao Village, and abducted Zhao [6392], a married woman from Liaocang Village, and her 8 year-old daughter Chen [7115]. They took them to Heji Village, Guzhen County, and sold them for a high price to Cui [1508] to be his wife and daughter. In order to acquire even more money, Sun and Yang later scurried back to the house of Cui, abducted Zhao and her daughter again, took them to distant Sunxi Sanshidian Village and were on the verge of selling them to Yang [2799]. After Zhao realized what was happening, she vigorously resisted, and the two traders strangled her to death with a rope, and then hung her corpse in a forest. Subsequently, they took Zhao's daughter and beat her to death with a stone. Rarely has the world seen such savage and cruel methods used.

4. Some men are no better than animals, and in ignorant and benighted villages where humanity has been lost, women are brutally and wantonly trampled on. Liu [0491] of Chenli Village, Su County, paid 1,700 yuan to buy Zhou [0719], who was already 3 months pregnant, from a trader. The very evening that he took her into his home, he wanted to have sexual relations. Zhou replied that she was pregnant, and intercourse would be inappropriate, and begged pitifully for mercy. Liu would not relent, and in order to relieve his sexual hunger, that very evening he sought out a group of villagers, and with many taking part, they tore off Zhou's clothing, pushed her down on a bed and raped her repeatedly. Afterwards, Zhou was able to contact someone from the outside and made preparations to escape. When Liu discovered this, he bound her and beat her with an iron chain, until her body was covered with bruises and she had a miscarriage. She bled repeatedly for a long period, and was not given any kind of treatment. To this day she remains deformed as a result of the beating.

Such horrifying examples are too numerous to mention. We will only cite several examples, and it will be clear that they are all similar.

### III

The main methods used by traders to abduct women and children are listed below:

1. They trick the women by asking them to form a business partnership, assist in recruiting workers, go on a group tour, or by offering to introduce them to a potential marriage partner. In 1989, of the 56 women who had been abducted and brought to Guzhen County, 60 percent had been tricked into being recruited as workers, 10 percent were taken in by the business partnership line, 10 percent were duped by the group tour approach, and 10 percent were tricked by the prospect of being introduced to a potential marriage partner.

2. Many of the people involved in trafficking in human beings are in criminal gangs. In the process of abducting women and children, they form a single underground contact passage and business market engaged in "abduction, transport, coordination, purchasing, and reselling." A seven-person trafficking organization made up of such people as Dai [2071], Xiong [3574], and others from Pengxi County in Sichuan, Guiyang City in Guiyang, and Dingyuan County in Anhui, all carried lethal weapons and contacted each other through code words. They travelled night and day, and abducted, transported, coordinated, and sold five young women who had been brought to Dingyuan from such places as Sichuan and Guiyang. They secretly offered them for sale at high prices, and in one instance illicitly received 10,000 yuan. This type of business deal also has an international criminal element. In May 1989, trafficker Huang [7806], of Dingming in Guangdong Province, was waiting for five people. On two occasions, he colluded with Liang [4731], a Vietnamese trafficker from Lang Son, and abducted three young Vietnamese women in Lang Son, brought them to Dingyuan, and offered them for a high price as wives in the village of "Guanghunhan."

3. Traffickers form partnerships "to set up a trick." Male and female traffickers pretend to be brother and sister, relatives, or friends engaged in business, who in mid-life have encountered difficulties. The male trafficker will lie, calling the female trafficker "his own sister," and sell her for a high price to a peasant as his wife. They will illicitly obtain the money, and then on the night of the "wedding festivities," the "new bride" will make her getaway.

4. Traffickers treat women and children as commodities, selling and reselling them at a profit. The first trafficker sells to a second trafficker, and the second sells to a third; all are desperately trying to make a profit. Wang [3769], a young girl from Hanyuan County, Sichuan Province, was sold on eight successive occasions by a trafficker, the final time in Dingyuan in Anhui Province. The trafficker received 10,000 yuan, while this young girl, who had seen little of the world, was quite distraught.

5. There are also traffickers in human beings who use narcotics to drug women and children, and while they are in a state of unconsciousness and their minds are clouded, they are kidnapped and sold. Wang [3769], an 18-year old woman from Boga Village in Guiyang's Pan County, took to the streets to have fun because of problems at home. While she and two other young women, Lu [7120] and Qiu [4428], were chatting, traffickers Wang [3769] and Yang [2799] took a fancy to them, and using sweet words and honeyed phrases, tricked these three young women into going to a hotel. They drugged the women, kidnapped them, and boarded a train. After travelling a considerable distance, they arrived at Lalou Village in Xiao County, where they sold the women to villagers Zhang [1728], Liu [0491], and Zhang [1728] as wives for 9,000 yuan.

#### IV

Why do these traffickers in human beings have such a vast "market?" Why does their foul business encounter few obstacles? Why are peasants happy to buy women to be their wives? Why are some women willing to be offered for sale by others? Within this set of thought provoking questions lies a set of complex causal factors, some social, some economic, some cultural, some administrative, and some legal. All of them contribute to the problem. The primary factors involve some of the points noted below:

1. Social factors. After the implementation of the reform and opening policies, for a period ideological and political work was neglected and bourgeois liberalization spread unchecked. In particular, after villages implemented the production responsibility system, some grassroots organizations only paid attention to "grain, oil, and cotton," and relations between people were dealt with in terms of money and not people. More than a few party and government grassroots organizations found themselves partially or fully paralyzed, turning a blind eye and a deaf ear to the disgusting phenomena of the abduction of women and children. A small number of grassroots cadres winked at and shielded those involved, to such an extent that they wallowed in the mire and allowed this evil wind to blow ever harder.

2. Economic factors. In the wake of the development of a commodity economy, there has been an expansion of money worship. "Everything is viewed in terms of money." Some people view other people as a commodity to be sold, and use this method to make a fortune. For the most part, these traders in human beings are people who love leisure and hate work; they idle about and do no decent work. These people base their business on trickery, rely completely on their words, and reap huge profits without having any basis in economic management. There is also a small number of women among them who have no self-respect, self-esteem, or dignity, who desire only money and a good time, and who do not care about their reputations. Of 35 women victims rescued in Guzhen County in 1989, 11 had willingly participated with the traders in setting traps, becoming

involved in "setups," and then fleeing after they themselves planned ways to illicitly obtain money. Making their escape was by no means easy, however. Some women also successfully escape from being "setup" themselves. An example is a 21-year old married woman from Dianyang County in Shaanxi Province. Because the couple had a lavish marriage, they had heavy debts, and there was no way they could pay the debts. Under a plan devised by the husband and elder sister, they went to Guzhen for a "setup," and sold the wife for 2,300 yuan to be a wife to peasant Dan [0830]. After her husband and elder sister had obtained the money, they shamelessly told the woman, "This evening, you must commit yourself to that man, and tomorrow get away and we will meet you."

3. Ideological factors. In some villages the ratio of males to females is unbalanced; older unmarried men are common, while there are few unmarried women. Among these unmarried men, there are some who have physical deformities, dull wits, low levels of intelligence, or whose appearance is not good. There are some who, although they are perfectly healthy and complete men, are unable for some reason or other to go to the city and find work, unable to run a business, or unable to handle a sideline occupation. They can only work in agriculture, relying on carrying a hoe on their shoulder, and creating a life where they are only able to dress warmly and eat their fill. Like local village nuns, nobody cares to ask about "bachelors" such as these. Young peasant women are really not so scarce. There are enough to make due, but those who are a bit out of the ordinary go to the city and find work, are busy engaging in business, or go to the city to marry. Those who remain in the village also want to look for someone who is employed, a businessmen, or a soldier, and these women do not consider village men who are well-behaved close friends. The combined effects of changing values and outlooks and the inherent prejudice of "making a suitable match" has created a sexual hunger among adult male villagers, who have no choice but to live frugally, borrow money wherever they can, and buy a wife. Thus this opens a "market" and a path to riches for the traders.

4. Cultural factors. The areas where the abduction of women and children is rampant are by and large impoverished and backward villages. Due to a lack of economic development, and hence a lack of cultural and educational development, these places have populations of which are low in quality and which could even be termed ignorant. There are even small numbers of grassroots cadres who believe that bringing abducted women to a village could solve the marriage problem for local men, and that it is a good practice which has been handed down from generation to generation. They thereby tolerate the traders, and talk but do not take action. When members of the Yongan Police Station of the Public Security Bureau in Su County, Anhui Province, arrived in Liulao Village to rescue Zhang [1728], a Tai County, Sichuan Province woman who had been abducted, village head Liu [0491] led a crowd of people who hurled

invectives and jointly attacked and beat up the public security cadres and people's police. They told the latter to "beat the affectionate couple," and forced the victimized woman to rush away. Sometimes, when they rescue a woman who has been victimized, the whole family or clan goes out, blocking the area with layers of people. It is thus clear that age-old habit is a force to be feared most.

5. Factors related to the existing vestiges of feudal mercenary marriage practices. In recent years, a wave of "leading consumption" has been set off, and in villages the phenomenon of the "high priced girl" has emerged, a girl who wants a wedding done on a grand scale. If a man cannot spend 10,000 yuan to get married then she will not marry him. For this reason, the business of traders in human beings has grown and flourished: a man can spend 3,000 yuan to buy a wife, thinking he can save money, save trouble, and settle the matter. Concluding the deal quickly and carrying out the marriage quickly is all that the buyer could wish for. They say, "one party is willing to sell, one party is willing to buy, fairly, reasonably, and legally." They scarcely realize that this is a reenactment of feudal mercenary marriages.

6. Personal factors related to the abducted women. The overwhelming majority of the victimized women are good and honest people, but they are young and naive, lack vigilance, are full of curiosity, or are looking for a life of "paradise" and are tricked and duped. There are also some who whose health is poor, who do themselves and others harm, and who seek new thrills, seeking a trader in human beings to pull the strings from behind the scenes and make a deal selling their body. Because their home situation is not good or their marriage has broken up, some want to change their living environment and sell themselves. Some go out and seek a partner to pass their days with because they are living in poverty. Some, under the influence of "sexual liberation," readily become involved in "setups." This type of person is already cut off from her flesh and blood, has lost all sense of shame, and in reality is no different from a prostitute.

7. Legal and law enforcement factors. Grassroots judicial personnel believe that Penal Code provisions currently in effect concerning "criminals involved in kidnapping and selling human beings" are not complete or specific enough, and that there are certain problems with conviction penalties which have to be revised in order to better mete out punishment for the criminal behavior of kidnappers and sellers of human beings. Law enforcement lacks force, because there are many difficulties. Traders operating out of Anhui Province operate over a vast area of more than 20 provinces, cities, and autonomous regions. Current security police strength is inadequate, funds are inadequate, obtaining proof is difficult, making an arrest is difficult, and extradition is difficult. Hence, it is only possible to treat the symptoms and not the disease. The many captured traders are only part of a larger problem. It is easy to catch a "floating fish", but because personnel and financial resources are limited,

one can only hope to catch the "deep water fish" by waiting for them to rise to the top.

V

Since its emergence in Anhui Province in the early 1980's, the phenomenon of kidnapping and selling of women and children has not yet ended, and the struggle against traders in human beings has also not stopped. From September 1983 to October 1989, more than 4,000 traders were arrested throughout the province. Of these, 3,535 were arrested and dealt with according to the law and 2,937 were sentenced (of these, 65 were sentenced to death, 13 received a death-sentence with a reprieve), which upheld the principle of administering seriously and expeditiously according to the law. Nonetheless, the criminal activity of traders still continues and spreads. In a letter reporting on the "very serious problem of abducting and selling women" in Hebei Province, comrade Deng Xiaoping commented on the fact that "This type of thing exists in many places, and after understanding this typical case in Ding County, there is a great need to strike at the traders in human beings on a grand scale." In compliance with these written comments and with this serious situation, Anhui has devoted utmost attention to the problem of the abduction and selling of women and children, giving it constant attention and not easing up in the struggle. [passage omitted]

### Living, Working Conditions of High School Teachers

91CM0010A Beijing JIAOYU YANJIU [EDUCATIONAL RESEARCH] in Chinese No 8, Aug 90 pp 73-77

[Article by Chen Wenxing (7115 2429 5281): "Analysis of the Living and Working Conditions of Teachers at 20 High Schools in Sichuan Province"]

[Excerpts] From early December 1989 through mid-January 1990, we surveyed the living and working conditions of full-time teachers in 20 senior and high schools in Sichuan Province. [passage omitted]

### The Economic Status of High School Teachers Is Not High, Their Living Standards Are Low, and They Lack the Economic Motivation to Be Committed to Teaching

[passage omitted] Our statistical data indicate that 36 percent of the households of high school teachers have per capita monthly incomes of 80 yuan or more. Only 19 percent of households have per capita monthly incomes below 60 yuan (see Table I). Housing space and conditions have also improved to varying degrees. In our sample, about 60 percent of the high schools have built new apartments for faculty and staff, 79 percent of married teachers and staff members can be allotted two-bedroom apartments, and the living area for teaching households averages 8.5 square meters per person (see Table II). Table II shows that teachers in small and medium-sized cities and county seats live in more spacious houses and apartments; teachers in large

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cities have less housing area; high school teachers in small towns and townships have the least housing area of all. Three percent of young teachers are not even allotted housing.

**Table I. Per Capita Monthly Income of High School Teachers' Households**

Per Capita Monthly Income (yuan)	Percentage of Households
40-59	19
60-79	26
80-99	13.5
100 and above	22.5

**Table II. Per Capita Housing Area of High School Teachers' Households**

Location	Housing Area Per Capita (square meters)
Large cities	8
Small and medium-sized cities	9.1
County seats	9.9
Small towns	7
Townships	6.5

Despite the improvements mentioned, the real income of high school teachers still is not high, because of the economic declines, inflation, and price increases in recent years. This can be seen in our study. Of the teachers surveyed, 71.3 percent think that real living standards for their families increased substantially or marginally over the years; 27.3 percent feel that their real living standards did not change or fell slightly; and 1.4 percent believe that their real living standards decreased drastically. This group consists mostly of middle-aged and elderly teachers who are the sole supporters of the family, and who have more than one child.

**Table III. High School Teachers' Evaluation of Household Living Standards**

Change in Living Standards	Percentage of Households
Substantial improvement	4.3
Marginal improvement	67
No change	12.9
Slight decline	14.4
Drastic decline	1.4

Based on the above data, we may say that the real income of high school teachers is not high. Although their real living standards have improved somewhat compared to the situation before reform, the extent of improvement is not at all great. The economic status of high school teachers is still somewhat low. In our society, where a commodity economy and a planned economy coexist, money functions largely as a lever to regulate individuals' behaviors. Consequently, many high school

teachers have to open up other fronts or find second jobs to survive. There are even quite a few quality teachers who have changed or are trying to change to higher paying occupations, in spite of the fact that most high school teachers disapprove of and do not want to make such a change. No wonder those in a vocation with a low economic status do not have any competitive strength when vying for jobs. By the same token, how can high school teachers, with their low economic status, commit themselves to a teaching occupation in a commodity economy that is full of competition for survival and for jobs? How can their initiative be brought into play?

### High School Teachers Are Overworked and Have Insufficient Leisure Time, Which Seriously Affects Their Health.

When people talk about high school teachers, they speak of their heavy workload and its toilsome nature. However, they cannot say how heavy the workload can be. Our study investigated the teachers' work situation in a relatively detailed and comprehensive way. First, high school teachers generally have many teaching hours each week; on average, each teacher can have as many as 13 classes weekly (see Table IV). As Table IV shows, 80 percent of the teachers teach 11 or more classes weekly, 31 percent teach 15 or more classes weekly; and some teachers can average as many as 21 classes weekly.

**Table IV. High School Teachers' Average Number of Classes Per Week**

Number of Classes	Percentage of Teachers
5-10	20.4
11-14	48.6
15-18	24.6
19-21	6.4

In addition, pressure on high school teachers is increasing as schools generally evaluate teaching quality based on students' grades on national exams or entrance exams for higher-level education. Thus, in order to improve students' exam results, high school teachers spend a great deal of time in class preparation. Our data reveal that 44.4 percent of them spend an average of 19 hours or more weekly in class preparation, and 26 percent devote 25 or more hours weekly to the activity. On average, the teachers spend 18.7 hours weekly on class preparation (see Table V).

**Table 5. High School Teachers' Actual Average Class Preparation Time**

Class Preparation Time (hours)	Percentage of Teachers
0-7	16.9
7-12	23.2
13-18	15.5
19-24	18.4
25-30	12.7

**Table 5. High School Teachers' Actual Average Class Preparation Time (Continued)**

Class Preparation Time (hours)	Percentage of Teachers
31-36	7.7
36 or more	5.6

Finally, because high school students (especially junior high school students) have a lot of homework which requires complete grading, teachers must devote quite a lot of time to this activity. Our data show that 34.1 percent of the teachers spend an average of 13 hours or more weekly grading homework, and 19.7 percent spend 19 hours or more weekly; this results in an overall average of 12.2 hours weekly per teacher.

Aside from teaching, tutoring, political studies, research, and other political and social activities also demand teachers' time. Our data indicate that 63 percent of the teachers spend an average of four or more hours weekly on such activities; the overall average for high school teachers is 6.5 hours.

By summing up the above statistics, we can easily see that high school teachers put in quite a lot of time at work. The average daily work time is about 8.5 hours per teacher (see Table VI). Apart from their work, many teachers help students make up missed lessons on Sundays: 12 percent of the teachers often hold class on Sundays, 63.4 percent hold them occasionally, and only 24.6 percent of them have never done so. This latter group teaches mainly in key high schools in large cities.

**Table VI. Average Daily Work Time**

Activity	Work Time (hours)
Teaching	2.17
Class prep	3.13
Grading	2.03
Tutoring	0.5
Other	0.67
Total	8.5

Because of their long work hours and heavy workload, high school teachers have little leisure time. Furthermore, 85 percent of the teachers are busy with housework after work. The data reveal that 21.8 percent of high school teachers never have leisure time, 13.4 percent often have things to do in their leisure time, and the majority have occasional time for leisure activities. Because they do not have enough leisure time, and because some must do housework in their leisure time, teachers have pitifully little time to study, improve their teaching quality, or exercise. There are 27.4 percent of teachers who have never seen a movie, 97.5 percent who see fewer than four movies per month; 70 percent watch less than one hour of television daily, and 16.5 percent watch less than half an hour daily. The heavy workload and strenuous housework make many young and middle-aged teachers prematurely old. The tragedy of untimely

deaths is a common occurrence. Such a situation not only seriously affects the health of high school teachers, but influences their morale in teaching and cultivating students. It may even directly or indirectly create a potential crisis for the stability and building of a high school faculty, and for the development of the entire educational profession.

**The Social Status and Benefits of High School Teachers Are Still Somewhat Low, and the Teaching Profession is Not Attractive. This Leads to a Lack of Stability and Successors Among the Faculty.**

In recent years, because of the attention given to education by the party and state, high school teachers' social status and benefits have improved somewhat. However, they are still fairly low when compared to those of other occupations. First of all, high school teachers complain primarily that medical expenses are controlled too tightly. For 70.3 percent of the teachers, average monthly out-patient expenses are limited to 4.59 yuan per person. Presently, prices are increasing drastically, and medical expenses are increasing more drastically still. Yet the rate of increase in the out-patient expense allowance is far behind the increasing prices. The increase in the medical expense allowance is small. A slight cold may use up a month's allowance. Because teaching high school is exhausting, it leads to the teachers' poor physical quality. Quite a few teachers suffer from infirmity or various diseases. Because the medical expense allowance is too small, many teachers, including a large number of middle-aged and elderly teachers, dare not see doctors for general illnesses. Instead, they have to endure their sickness and delay treatment. As a result, many do not go to the hospital for treatment until a minor illness has developed into a major one. Although 29.7 percent of the teachers may be reimbursed for their medical bills, only 18.8 are completely reimbursed, and 10.9 percent are reimbursed for only 20 to 50 percent of their medical bills. The reimbursement situation for hospitalization is somewhat better than that for outpatient care. However, 10 percent of the teachers are still only reimbursed for 20 to 50 percent of hospitalization fees, while 46.7 percent of them are reimbursed for 50 to 80 percent, and 43.3 percent are completely reimbursed. In general, dependents and children of the teachers are on their own when it comes to medical care: less than three percent of them may be reimbursed for 20 to 50 percent of their medical expenses.

Second, it is very difficult to find employment for teachers' dependents whose residence status has changed from rural to urban and for their children who cannot continue their education (see Tables VII and VIII). The statistics in Table VII indicate that as much as 53.1 percent of the teachers feel that it is absolutely hopeless for their dependents to find jobs. The total reaches 75 percent if we include those who hold little hope for their dependents' employment. Only 3.1 percent believe that their dependents are likely to be employed. No one is definite about employment for his dependent. Table VIII shows that 63.7 percent of the teachers see little or no job opportunities for their children who fail college entrance exams. A mere 1.8 percent are optimistic about the employment of such children, and 89 percent of these people think that employment for their dependents or

children will likely be confined to becoming contract workers within their own schools or the educational system; only seven percent of this group think that their children may possibly find employment in other occupations. Based on such assumptions, about 93 percent of high school teachers believe that their children have far more difficulty and far fewer opportunities finding employment compared to children whose parents have other occupations.

**Table VII. Teachers' Estimate of Employment For Dependents Whose Residence Status Changed From Rural to Urban**

Possibility of Employment	Percentage of Teachers
Absolutely impossible	53.1
Little possibility	21.9
Hard to tell	22.9
Possible	3.1
Very likely	0

**Table VIII. Teachers' Estimate of Employment for Adult Children**

Possibility of Employment	Percentage of Teachers
Absolutely Impossible	34.5
Little possibility	29.2
Hard to tell	34.5
Possible	1.8
Very likely	0

Third, 33.3 percent of the teachers are responsible for their own fuel and winter heating needs. The school may partially subsidize 57.8 percent of them. Supplies of water, electricity, gas, and other daily necessities are insufficient: 26.2 percent of teachers say that supplies are insufficient, and 42.6 percent say that occasionally supplies are short. About 82.4 percent of the teachers think that their benefits are lower than those of people in other occupations, while 6.1 percent of believe that the opposite is true.

In addition, there is not much opportunity for high school teachers to get on-the-job or full-time training. Quite a few schools and departments responsible generally disapprove of teachers' full-time training. They are especially reluctant to let key teachers leave for training. Our data indicate that 23.5 percent of the teachers say the leadership encourages teachers' training, while 26.1 percent say the leadership does not. Most say that it is hard to tell.

The relatively low economic status and benefits of high school teachers is bound to influence their social status. Although 14.1 percent of the teachers think that teachers' social status has improved somewhat in recent

years, 38 percent of them believe that, compared with other occupations, teachers' social status has not gone up at all, but rather has declined. The reasons for the decline are that the teaching profession is not attractive; teachers are not considered working people but craftsmen; their efforts do not receive the rewards, attention, or respect deserved; and they encounter difficulties when handling affairs outside of business.

The low socioeconomic status and benefits of high school teachers have had serious effects on the stability of high school faculties and on the construction of succeeding bodies of teachers. The data in this study indicate that 81.4 percent of teachers intend to change occupations. Of these, 67.1 percent have tried to change, and 49.3 percent of them have always been trying to change their profession. Teachers from small and medium-sized cities (including county seats) make up a large proportion of those wanting to change jobs; those from small towns or townships also make up a large proportion (see Table IX). We can see from Table IX that teachers in small and medium-sized cities (including county seats) constitute the largest share, as high as 56 percent, of those who intend to change jobs when there is an opportunity or who have always tried to change; teachers in large cities make up the second largest share; and the smallest group, from small townships, makes up 33.3 percent. If such a large number of teachers intend to change jobs, what kind of occupations do they want? Our data show that 89.8 percent of them would not choose to be a teacher. The most popular choice is to become a party or administrative cadre. The other choices, in descending order of popularity, are to work as cultural personnel, or be an independent businessman, scientist, or technician (see Table X). Why do so many high school teachers not choose teaching as an occupation again? Our data reveal that the main reasons are because of teaching's low social status, excessive workload, low benefits, and the difficulty children of teachers have in finding employment (see Table XI). From Table XI, we can see that most teachers attribute their reluctance to teach to the low benefits of teaching; the second and third reasons cited are overwork and low social status.

**Table IX. High School Teachers' Intention to Leave Teaching, By Area**

Intention of Leaving Teaching Location	Townships	Small, medium-sized towns; county seats	Large cities
Never thought of it	19.6%	12%	26.5%
Never tried	17.6%	14%	14.7%
Try occasionally	25.5%	18%	14.7%
Try whenever possible	21%	35%	21.3%
Always trying	12.3%	20%	22.8%

**Table 10. Teachers' First Choice of Occupations**

Occupation	Percentage of Teachers
Independent businessman	12.9
Party or administrative cadre	23.7
Scientist or technician	10.8
Cultural personnel	13.7
Medical worker	3.6
Enterprise cadre	9.4
Factory worker	1.4
Teacher	10.2
Military	8.7
Service worker	3.6
Other	2

**Table XI. Reasons for Not Choosing Teaching As An Occupation**

Reason	Percentage of Teachers
Excessive workload	23.3
Low benefits	35.3
Low social status	21
Children's difficulty in finding employment	17.1
Students' low morale	3.3

The living and working conditions of high school teachers and their attitudes about "leaving teaching" have tremendous influence upon the students. As a result, 95 percent of students will not make teachers' colleges their first choice for college education; 69 percent say they will not apply to teachers' colleges unless there are no other alternatives. Of those who will apply, less than three percent are quality students. Furthermore, 75.6 percent of high school teachers say they are opposed to their children, relatives, and students trying to apply to teachers' colleges. Only 8.9 percent of them support applications to teachers' colleges, while 15.4 percent of teachers observe that they will not interfere in the free choice of their children, relatives, and students.

We can see from the above information that the basic education in high schools in our country is in dire straits, and that there is a crisis beneath the surface. The situation is quite serious. [passage omitted]

#### Real Trust in Intellectuals Advocated

91P30039B Shanghai LIANHE RIBAO in Chinese  
12 Oct 90 p 2

[Article by Yi Ding (0001 0002): "In Response to the Call of the Party"]

[Text] At the present time, intellectuals have once again become hot topics of conversation. Just the other day, I read a passage in a newspaper quoting "a certain senior CPC cadre." After finishing the article, I was deeply

touched by what he said. He said, "There is a need to sincerely trust and depend on intellectuals; one should not wait for 'calls' from the higher-ups to value intellectuals." What he said is incisive, and, upon close scrutiny, it becomes apparent that he could not have expressed those ideas without heartfelt personal experience.

All through the ages, the Chinese intellectuals have always been celebrated as profoundly patriotic and eager to dedicate themselves to the service of their country. Yet for a period of time they were subjected to persecution and humiliation. Even having gone through these experiences, they are still "unrepentant" and have not changed their original intentions. To sincerely trust and depend on intellectuals, therefore, should be natural and obvious. But, to implement it earnestly is not an easy task either.

At the moment, although it is rare to hear of intellectuals being persecuted, valuing intellectuals only in response to "the calls of the higher-ups" is a phenomenon that still exists to some extent. No wonder that this senior cadre cried out loudly with bitter hatred. I found the following points to be the reasons for the existence of this situation. First, the lingering pernicious influence of the "left," for a long period of time has made the resurgence of the left unavoidable. Consequently, as soon as intellectuals are mentioned, feelings surface of intellectuals as an alien nation. Second, some people, for selfish reasons, feel that, big or small, the intellectuals do have a role to play, and that the number of intellectuals is not insignificant either. Third, most people have only a one-sided understanding of situations, and therefore tend to sway with the direction of the wind and to react passively.

How can we not wait for the "calls of the higher-ups," and take the initiative in trusting and depending on the intellectuals? It comes to mind that the first thing to do is to review the ideology on seeking truth from facts that was passed during the Third Plenary Session of the 11th CPC Central Committee. Only with a correct standpoint are we able to have correct observations and scientific analysis of intellectuals, and are able to trust and depend on intellectuals in politics. Second, it must be acknowledged and understood that the intellectuals "have an irreplaceable role in the construction of socialist modernization." Only when the role of intellectuals, in the process of modernization, is seen and accepted as not only irreplaceable, but is becoming greater and greater, then will the intellectuals be valued. Third, the people's passive frame of mind must be changed, and firm faith must be established in its place. The most important factor here is to sincerely study and understand the behavior norms of intellectuals. Only when intellectual behavior norms based on scientific understanding are established, will there be mainstay policies that are capable of defying various storms [political campaigns] and that will support the need to unwaveringly trust and depend on the intellectuals. Do you think that the above-mentioned ideas are right?

**Creation of 'Refined, Gentle' Literary Field Urged**

91P30039B Shanghai XINWEN JIZHE  
[JOURNALIST] in Chinese No 9, 9 Sep 90 p 24

[Article by Deng Weizhi (6772 0251 1807): "The Literary Field"]

[Text] There is an electric field for electricity, a magnetic field for magnets, a battlefield for the military, and officialdom for politics. Is there a field in which a scholar may write essays? There ought to be one. There should be a study in which to write essays, and the study should hold its four treasures: paper, ink stick, brush, and ink slab, all of which are basic elements of the literary field. All of these elements are tools, however. Tools need to be used by people. Only when people and tools integrate can productive forces be created. Consequently, it is mainly the relationship between a variety of people that constitutes the literary field.

What kind of literary field should China have? It is rather difficult to express it in one word. I have not been able to find a simple and clear answer for this for a long time. Recently, I am not sure what kind of turning point sparked me to hum a part of a quotation song that was often sung during the Cultural Revolution.

"Revolution is not a dinner party, or writing an essay, or painting a picture, or doing embroidery; it cannot be so tasteful [ya zhi], so leisurely and refined [wenzhi binbin], so gentle, kind, respectful, restrained, and magnanimous [wen liang gong jian rang]."<sup>1</sup>

Perhaps, in a different state of mind, to sing the very same song would cause people to associate with different thoughts. From this above quotation, I suddenly thought of a hitherto never thought of question: Since it (the revolution) cannot be so tasteful as writing an essay, be so leisurely and refined, so gentle, kind, respectful, restrained, and magnanimous, then writing an essay must be tasteful, leisurely and refined, gentle, kind, respectful, restrained, and magnanimous. Obviously, this inference is very logical. Although some poems and essays are not written under leisurely conditions, generally speaking, however, the literary field must be tasteful, leisurely, and refined. This kind of field should be possible. At the least, when writing an essay, when wielding one's pen, tastefulness and refinement are required. Otherwise, the analogy used by Mao Zedong would be inappropriate.

Actually, it is not only Mao Zedong who views the literary field in this manner. Traditional Chinese culture also views the literary field this way.

Mao Zedong quoted the Chinese idiom "wenzhi binbin" [refinement in both accomplishment and personal character] which came from *The Analects*, published more than 2,000 years ago. Perhaps that Confucius connected the words "wenzhi" [accomplishment and character] and "binbin" [refinement] was not without reason. The special character of a literary field is derived from the special characteristics of "wenzhi." Needless to say, the literary field should have the special characteristics of "wenzhi binbin."

Furthermore, our ancestors connected the character "wen" [culture] to the character "ya" [elegant] to form the well-known term "wenya" [cultured and elegant], which was perhaps not without reason either. The word "ya" of "wenya" is the same "ya" in the word "yazhi" [refined] used by Mao Zedong.

Again, one supposes that connecting the word "wen" [gentle] to "wen" [culture] to form the well-known phrase "wen wen er ya" [gentle and cultivated] was also not without reason. The "wen" of "wen wen" is the same "wen" that Mao Zedong used in his "wen wen gong jian rang" [gentle, kind, respectful, restrained and magnanimous].

From the time of Confucius to the days of Mao Zedong, there has always existed a brilliant definition of the literary field, and since we are the people who must propagate national culture and who also want to persist in Marxism-Leninism, then we should strive to contribute to the creation of a refined, leisurely, gentle, and kind literary field. If, during times of war, the completion and perfection of a refined, leisurely, gentle, and kind literary field is impossible, then in peacetime there are definitely conditions for the establishment of a refined, leisurely, gentle, and kind literary field. As soon as the scholars's literary field is ready, the enthusiasm of the scholar would be kindled like dry firewood near a raging fire. The relationships of scholars to scholars and scholars to nonscholars would be like a harmonious symphony. Literary giants and great writers would appear in great numbers.

Written at Tian Zong Shu Dong, 16 July 1990.

**Footnote**

1. *Selected Works of Mao Zedong, Volume I*, p. 18.

### Review of Possible Military Leaders After Deng

91CM0053A Hong Kong CHAO LIU [TIDE]  
in Chinese No 44, 15 Oct 90 pp 18-22

[Article by Ho Chin-ming (0149 6855 6900), doctoral candidate at Sun Yat-sen University, Kaohsiung: "Leading Figures in Chinese Communist Military After Deng Xiaoping"]

[Text] The subjects of this article are the 31 currently most active high-ranking officers in the Chinese Communist military. Seven indices—current military post, age, region, military rank, army system, party status, and record of important military posts—are used to make, through quantifying and weighting, a "list of leading figures in the Chinese Communist military after Deng Xiaoping." The conclusion is: In the short term, Yang Shangkun, Yang Baibing, Qin Jiwei, and Liu Huaqing will be the leading figures in the military after Deng. After five years, Yang Shangkun, Qin Jiwei, and Liu Huaqing, because of advancing age, will probably withdraw from the military power structure, and the wielders of military power will be Yang Baibing, Chi Haotian, Zhao Nanqi [6392 0589 6386], and Zhou Keyu [6650 0460 5280]. After 10 years, fairly young high-ranking officers will scramble up to become the main leaders in the military, those with the most potential to do so being Wang Chengbin [3769 2052 2430], Liu Jingsong [0491 4737 2646], Fu Quanyou [0265 0356 2569], Song Keda [1345 0460 6671], and Zhu Dunfa [2612 2415 3127].

#### I. Foreword

In the eighties Deng Xiaoping was the man with real power, the leading figure in the CPC who wielded both political and military power. Even after vacating all his party, government, and military posts, he is still regarded as the Chinese Communists' "great patriarch," and he continues to exert his powerful influence on the Politburo. But this era will, in the end, pass: First, he is very old and his health cannot last forever. Nobody can avoid the effects of old age, and finally a state is reached in which "circumstances are stronger than the man." Second, after the successors he had painstakingly groomed—Hu Yaobang and Zhao Ziyang—in turn fell from power, his prestige was greatly lessened. Also, after the 4 June incident in Tiananmen, some opposition figures expressed deep disagreement and dissatisfaction with him, and his influence as a strongman has become a spent force. The actual strength and prestige of the present CPC leaders of the government and the military—Jiang Zemin and Li Peng—is still insufficient for either of them to be shaped into the mold of strongman. It is expected that a crisis will occur after Deng Xiaoping passes away, a crisis that the Chinese Communists will be unable to avoid.

Contradictions have always existed in the relationship between the Chinese Communists' party, government, and military. The slogans are "the party leads the government" and "the party leads the military," but the fact emerging from all previous struggles is that "political

power grows out of the barrel of a gun," that military power is the final arbiter of political struggle and even the final wielder of party and political power. Looking at the history of the Chinese Communists, we see that the roles played in the political system by the holders of military power may be divided into three types. The first type is the role played by the leader of the real power-holding faction, who holds concurrently great power in the party and the government. The second type of role is that played by the man who has the actual strength in the military but who plays a secondary role in party and government power structures, and who in his military power owes allegiance to those in political power. The third type is the role played by the man who has an undeserved reputation but no actual strength in the military, a situation that indirectly influences his actual strength in the party and the government. Observing the current situation among the Chinese Communists, we see that Jiang Zemin, who has no military background, concurrently holds the post of Military Commission chairman. He seems to be of the third type. Then, how will military power develop in the future? Three situations seem possible: The first situation is that Jiang Zemin will continue to be the Military Commission chairman and maintain his weak leadership. But this will happen only if the system changes and the armed forces are thoroughly "nationalized"; otherwise, the facts of history prove that this state of affairs cannot last very long (Hua Guofeng is an example). The second situation is that Jiang Zemin will become a full-time party general secretary and will turn military power over to a high-ranking officer who has actual strength and with whom he will be able to cooperate closely. However, this cooperative relationship will be difficult to maintain for a long time without deteriorating. The third situation is that in which a powerful military man stages a coup d'état and seizes all party, government, and military power.

No matter what situation develops, from a look at the history of the Chinese Communists we can affirm two things: First, in the Chinese Communists' power struggle, military power is in a position of absolute superiority, that is, "political power grows out of the barrel of a gun." Second, the man who truly holds military power will certainly be someone with actual strength in the military and not a civilian with no military background. Therefore, the trends pertaining to military men with actual strength in the military exert an influence on the Chinese Communists' political system that cannot be overlooked.

After Deng Xiaoping, who will be the dominant figure in military power? From the above analysis, the conclusion in this article is that it will not be Jiang Zemin. Even with his status as party general secretary and concurrently Military Commission chairman, the history of the Chinese Communists tells us that a civilian with no military background cannot long and firmly hold and dominate military power. If not Jiang Zemin, who will it be? Herein lies the article's interest, but I do not intend to

make an analysis from the angle of a single aspect, like current post or faction, because that would be only a temporary analysis. I also will not make conjectures about several individual figures, because that would mean leaving out much information and would not fit changing circumstances. In this article I focus on the high-ranking officers in the Chinese Communist military who have potential in the nineties, selecting some weighted indices that specifically quantify and that assess and compare these high-ranking officers, and I came up with a list of military figures who could dominate the Chinese Communists' military power in the future.

## II. High-Ranking Military Officers Who Will Be Active in the Nineties

After last year's 4 June incident in Tiananmen, the Chinese Communists made another large-scale readjustment of their high-level military personnel. Many high-ranking officers left important posts one after another. The posts of these dismissed high-ranking officers were abolished. They were too old and did not meet the requirement of the Chinese Communists' policy of "rejuvenation." Their potential for development was gone and their influence had waned. In this article I exclude them from assessment and comparison. The high-ranking officers in the Chinese Communist military selected in this article number 31. They are: Yang Shangkun, permanent vice chairman of the Military Commission; Liu Huaqing, vice chairman of the Military Commission; Yang Baibing, director of the PLA [People's Liberation Army] General Political Department and concurrently secretary general of the Military Commission; Qin Jiwei, minister of national defense; Chi Haotian, chief of staff of the PLA General Staff Department; Zhao Nanqi, director, and Zhou Keyu, political commissar, of the PLA General Logistics Department; Wang Hai [3769 3189], commander, and Zhu Guang [4281 0342], political commissar, of the PLA Air Force; Zhang Lianzhong [1728 6647 1813], commander, and Wei Jinshan [7614 6855 1472], political commissar, of the PLA Navy; Li Xuge [2621 2485 7041], commander, and Liu Anyuan [0491 1344 0337], political commissar, of the Second Artillery Corps; Ding Henggao [0002 5899 7559], chairman of the National Defense Science, Technology, and Industry Commission; Zhang Zhen [1728 7201], president of the National Defense University; Jiang Shunxue [5592 7311 1331], commandant, and Yang Yongbin [2799 3057 2430], political commissar, of the PLA Academy of Military Science; Wang Chengbin, Liu Jingsong, Zhang Wannian [1728 5502 1628], Gu Hui [0942 6540], Zhu Dunfa, Zhang Taiheng [1729 1132 1854], and Fu Quanyou, commanders of the seven Military Regions; and Zhang Gong [1728 1562], Song Keda, Song Qingwei [1345 3237 3262], Shi Yuxiao [0670 3768 1321], Zhang Zhongxian [1728 0112 0341], Gu Shanqing [6253 0810 1987], and Cao Pengsheng [2580 5338 1332], political commissars of the seven Military Regions. Besides holding their own posts, most of these 31 men are concurrently members of

the Military Commission of the CPC Central Committee. In the nineties they will be active on the Chinese Communists' military stage, and one of them is bound to become the dominant wielder of military power in the future.

## III. Seven Indices Are Criteria for Assessing and Comparing Potential

In this article I selected seven indices—current military post, age, region, military rank, army system, party status, and record of important military posts—as the variables for judging the potential of the above-mentioned 31 high-ranking officers to become the dominant figure in the Chinese Communists' military power in the future. Below I give my reasons for using these indices:

A. Current military post: A military man's current military post represents his position of authority in the military at the present time. The higher the current military post, naturally the greater his potential for dominating military power in the future. Therefore, in this article I make it an important index for appraisal.

B. Age: In 1980 Deng Xiaoping put forward the policy of "cadre four modernizations," namely, making the cadre ranks younger in average age, better educated, professionally more competent, and more revolutionary. The Chinese Communists' "retirement age limit for leading cadres" stipulates that "commanders of all service arms who reach the age of 70 must retire." From a look at the 12th and 13th Party Congresses, as well as at recent personnel changes, we see that this policy continues in force, and it is expected that nothing in the future will cause too great a change in it. Of the "four modernizations," it is the firm belief in the Chinese Communist leadership stratum that all the cadres in it meet the principle of "being professionally more competent," and also that they, more or less, meet the principle of "being more revolutionary" (otherwise they would not hold their posts); but as for "being better educated," I'm afraid that military exploits and loyalty are more important. It is very difficult to judge the degree of formal education in the training of Chinese Communist military men. Moreover, the greater part of such data on individuals has not yet been made public. Therefore, in this article I did not make it an item for assessment and comparison. As for "being younger in average age," it is quite specific and is on what the Chinese Communists most base the appointments of people. Therefore, in this article I make age one of the assessment indices.

C. Region: In China, since the incident in which Mr. Sun Yat-sen resigned from the presidency in favor of Yuan Shih-kai, who then restored the "imperial system," the concept of region has existed in a concealed manner. After this incident there was the success of the southern regime's Northern Expedition, and later the Chinese Communists gained control of the mainland. The main leading figures of the Chinese Communists—Mao Zedong (Hunan), Zhou Enlai (Zhejiang), Zhu De

(Sichuan), Liu Shaoqi (Hunan), Lin Biao (Hubei), Ye Jianying (Jiangsu), and Deng Xiaoping (Sichuan)—were or are all southerners. Of the current main leading figures of the Chinese Communists, Li Peng (Sichuan), Yao Yilin (Anhui), Qiao Shi (Zhejiang), and Yang Shangkun (Sichuan) are also all southerners. Southerners obviously occupy the superior position in political influence. Accordingly, in this article my inference that southerners possess more potential than northerners to be dominant in the Chinese Communists' military power should be on the mark, and so I have made region an assessment index.

D. Military rank: Military rank represents the honor, the position, and even the power of a military man. The higher the military rank of a man, the greater should be his potential for dominating the Chinese Communists' military power in the future. Therefore, in this article I have also made it an assessment index.

E. Army system: This is a classification of the factions in the Chinese Communist military, namely, the 1st, 2d, 3d, and 4th Field Armies and the troops directly subordinate to the central authorities (the North China Field Army). Each of these five military factions has risen and fallen in the course of the Chinese Communists' power struggle. However, since the Third Plenary Session of the 11th CPC Central Committee, when Deng Xiaoping returned to power, the 2d Field Army (hereafter shortened to "2d Field"; it is in Deng Xiaoping's system) obviously has occupied the superior position. Up to now there has been no change in this superiority (Yang Shangkun, permanent vice chairman of the Military Commission; Liu Huqing, vice chairman of the Military Commission; Qin Jiwei, minister of national defense; and Yang Baibing, director of the PLA General Political Department—all of these men have a background in the "2d Field" system. Of the 17 men of full general rank, at least nine have a background in the "2d Field" system, a high proportion indeed). Accordingly, in this article I draw the inference that men with a "2d Field" background have more potential than men without it to dominate the Chinese Communists' military power, and therefore I have made army system an assessment index.

G. Important military post record: The military posts previously held represent each man's qualifications and record of service in the military, and to a certain extent show his prestige and influence as an individual. Promotions follow a certain system and order. The higher the military post that a man has previously held, the greater his potential for dominating the Chinese communists' military power in the future. Thus, in this article I make the most important military post previously held an assessment index.

#### IV. Method of Assessment: Grading, Marking, Weighting, and Totaling

##### A. Grading

1. Current military post: The posts of permanent vice chairman and of vice chairman of the Military Commission are grade one; the posts of secretary general of the

Military Commission and of minister of national defense are grade two; the posts of heads (also political commissars) of the three PLA General Departments (Staff, Political, and Logistics) are grade three; and all remaining posts are grade four.

2. Age: Ages of 65 and under are grade one, ages of 66 to 70 are grade two, and ages over 70 are grade three.

3. Region: Southerners are grade one, northerners grade two.

4. Military rank: General is grade one, lieutenant general is grade two, and major general is grade three.

5. Army system: "2d Field" is grade one, and all others are grade two.

6. Party status: Politburo member is grade one, party Central Committee member or alternate member is grade two, Central Discipline Inspection Commission member or Central Advisory Commission member is grade three, and no party Central Committee membership is grade four.

7. Important military post record: Military Commission vice chairman is grade one; director (or political commissar) of any of the three PLA general departments is grade two; chief (or political commissar) of a first-class unit directly under the Military Commission (Navy, Air Force, Second Artillery Corps, National Defense University, National Defense Science, Technology, and Industry Commission, and the seven Military Regions) are grade three; and all others are grade four.

##### B. Marking

1. Because the grades for the seven indices are not the same, I take the lowest common multiple, 12, of the numbers 2 (for region and army system), 3 (for age and military rank), 4 (for current military post, party status, and important military post record) as the range for point distribution and make the number at the midpoint between them the point for grading. Accordingly, there are two grade points for region and army system, 3 and 9; three grade points for age and military rank, 2, 6, and 10; and four for current military post, party status, and important military post record, 1.5, 4.5, 7.5, and 10.5.

2. Processing imprecise data: Yang Shangkun does not have a military rank, but he is one of 17 men with the rank of general. Therefore, he gets a first-class mark of 10. In cases in which the army system is not known precisely, it is listed as non-"2d Field," because those men in the "2d Field" system have regularly cropped up in research on the army system or factions. If, after checking several dozen kinds of data, the army system to which a high-ranking officer belongs still cannot be determined, that means that the possibility of his belonging to the "2d Field" system is extremely low, and so he is given the second-class mark of 3.

**C. Weighting**

After talking with several people engaged in research on Chinese Communist military affairs, I concluded in this article that the index of current military post is most important; indices of next importance are age, military rank, and party status; and indices of least importance are region, army system, and military post record. The researchers were of the unanimous opinion that, for the above-mentioned three sets of variables, the weighted numbers should be respectively 3, 2, and 1.

**D. Totaling**

After the mark of each man on each index is multiplied by the weighted number, the points are added together to get the total score.

**E. Ranking**

Each man is then ranked in order of his total.

Table 2 ranks the 31 high-ranking officers by their scores on the indices.

In the table the totals may be roughly divided into three levels of distribution with regard to influence on military power: on the first level in order are Yang Shangkun, Yang Baibing, Qin Jiwei, and Liu Huaqing; on the

second level in order are Chi Haotian, Zhao Nanqi, and Zhou Keyu; and the remaining men are lumped together on the third level.

The order in this list corresponds closely to the order of the high-ranking officers' influence on military power at the present time (the four men on the first level are respectively permanent vice chairman of the Military Commission, director of the PLA General Political Department and concurrently secretary general of the Military Commission, minister of national defense, and vice chairman of the Military Commission; the three men on the second level are heads of the three PLA General Departments. In the short term, the seven men on the first and second levels will still be the main leading figures in the Chinese Communists' military power. However, if Deng Xiaoping lives another five years or more, Yang Shangkun, Qin Jiwei, and Liu Huaqing, who are now on the first level, could, because of age, withdraw from the military power structure (this is also true of Zhang Zhen, who is on the third level); at that time, four men—Yang Baibing and the second level's Chi Haotian, Zhao Nanqi, and Zhou Keyu—will become the main leading figures in the Chinese Communists' military power, with Yang Baibing's position possibly becoming more important than that of the others. If Deng Xiaoping lives another 10 years, besides Yang Baibing, Chi Haotian, Zhao Nanqi, and Zhou Keyu, men now on the third level will climb up to become the main leading figures in the Chinese Communists' military power. From an analysis of background data, those with the most potential are likely to be Liu Jingsong, Fu Quanyou, Wang Chengbin, Song Keda, and Zhu Dunfa.

**Table 1: Grading of 31 Chinese Communist High-Ranking Officers on All Indices**

Position	Name	Current Military Post	Age	Region	Military Rank	Army System	Party Status	Military Post Record	Total
1	Yang Shangkun	10.5 x 3	2 x 2	9 x 1	10 x 2	9 x 1	10.5 x 2	10.5 x 1	105
2	Yang Baibing	7.5 x 3	6 x 2	9 x 1	10 x 2	9 x 1	7.5 x 2	4.5 x 1	92
3	Qin Jiwei	7.5 x 3	2 x 2	9 x 1	10 x 2	9 x 1	10.5 x 2	4.5 x 1	90
4	Liu Hua-qing	10.5 x 3	2 x 2	9 x 1	10 x 2	9 x 1	4.5 x 2	4.5 x 2	87
5	Chi Haotian	4.5 x 3	10 x 2	3 x 1	10 x 2	3 x 1	7.5 x 2	4.5 x 1	79
6	Zhao Nanqi	4.5 x 3	10 x 2	3 x 1	10 x 2	3 x 1	7.5 x 2	4.5 x 1	79
7	Zhu Keyu	4.5 x 3	10 x 2	9 x 1	6 x 2	3 x 1	7.5 x 2	4.5 x 1	77
8	Wang Hai	1.5 x 3	10 x 2	3 x 1	10 x 2	3 x 1	7.5 x 2	1.5 x 1	67
9	Liu Jing-song	1.5 x 3	10 x 2	9 x 1	6 x 2	3 x 1	7.5 x 2	1.5 x 1	65
10	Ding Henggao	1.5 x 3	10 x 2	9 x 1	6 x 2	3 x 1	7.5 x 2	1.5 x 1	65
11	Liu Anyuan	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	7.5 x 2	7.5 x 1	65
12	Fu Quanyou	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	7.5 x 2	4.5 x 1	62
13	Shi Yuxiao	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	7.5 x 2	1.5 x 1	59

Table 1: Grading of 31 Chinese Communist High-Ranking Officers on All Indices (Continued)

Position	Name	Current Military Post	Age	Region	Military Rank	Army System	Party Status	Military Post Record	Total
14	Wang Chengbin	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	7.5 x 2	1.5 x 1	59
15	Song Keda	1.5 x 3	10 x 2	9 x 1	6 x 2	3 x 1	4.5 x 2	1.5 x 1	59
16	Zhu Dunfa	1.5 x 3	10 x 2	9 x 1	6 x 2	9 x 1	1.5 x 2	1.5 x 1	59
17	Li Xuge	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	7.5 x 2	1.5 x 1	59
18	Wei Jinshan	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	7.5 x 2	1.5 x 1	59
19	Zhang Zhongxian	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	7.5 x 2	1.5 x 1	59
20	Zhu Guang	1.5 x 3	6 x 2	3 x 1	6 x 2	9 x 1	7.5 x 2	1.5 x 1	57
21	Zhang Zhen	1.5 x 3	2 x 2	9 x 1	10 x 2	3 x 1	4.5 x 2	7.5 x 1	57
22	Zhang Lianzhong	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	4.5 x 2	1.5 x 1	53
23	Gu Hui	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	4.5 x 2	1.5 x 1	53
24	Zhang Wannian	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	4.5 x 2	1.5 x 1	53
25	Zhang Taiheng	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	1.5 x 2	1.5 x 1	47
26	Song Qingshua	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	1.5 x 2	1.5 x 1	47
27	Yang Yongbin	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	1.5 x 2	1.5 x 1	47
28	Jiang Shunxue	1.5 x 3	10 x 2	3 x 1	6 x 2	3 x 1	1.5 x 2	1.5 x 1	47
29	Cao Pengsheng	1.5 x 3	10 x 2	3 x 1	2 x 2	3 x 1	4.5 x 2	1.5 x 1	45
30	Zhang Gong	1.5 x 3	10 x 2	3 x 1	2 x 2	3 x 1	1.5 x 2	1.5 x 1	39
31	Gu Shangqing	1.5 x 3	10 x 2	3 x 1	2 x 2	3 x 1	1.5 x 2	1.5 x 1	39

Table 2: Ranking List of 31 Chinese Communist High-Ranking Officers

Position	Name	Current Military Post	Age	Birthplace	Military Rank	Army System	Party Status	Important Military Post Record
1	Yang Shangkun	Permanent vice chairman, Military Commission	83	Tongnan County, Sichuan Province	—	2d Field	Member, Politburo	Vice chairman, Standing Committee, Military Commission
2	Yang Baibing	Director, PLA General Political Department	69	Tongnan County, Sichuan Province	General	2d Field	Member, Central Committee	Political commissar, Beijing Military Region
3	Qin Jiwei	Minister of national defense	76	Huangan County, Hubei Province	General	2d Field	Member, Politburo	commander, Beijing Military Region
4	Liu Huqing	Vice chairman, Military Commission	74	Dawu County, Hubei Province	General	2d Field	Member, Central Advisory Commission	Commander, Navy

Table 2: Ranking List of 31 Chinese Communist High-Ranking Officers (Continued)

Position	Name	Current Mil- itary Post	Age	Birthplace	Military Rank	Army System	Party Status	Important Military Post Record
5	Chi Haotian	PLA chief of staff	61	Zhaoyuan County, Shandong Province	General	3d Field	Member, Central Committee	PLA deputy chief of staff
6	Zhao Nanqi	Director, PLA General Logistics Department	64	Yongji County, Jilin Province	General	4th Field	Member, Central Committee	Deputy director, PLA General Logistics Department
7	Zhou Keyu	Political commissar, PLA General Logistics Department	61	Funing County, Jiangsu Province	Lieutenant general	3d Field	Member, Central Committee	Deputy director, PLA General Political Department
8	Wang Hai	Commander, Air Force	65	Weihai City, Shandong Province	General	3d Field	Member, Central Committee	Commander, Air Force
9	Liu Jingsong	Commander, Shenyang Military Region	57	Shihou County, Hubei Province	Lieutenant general	—	Member, Central Committee	Commander, 64th Army
10	Ding Henggao	Chairman, National Defense Science, Technology, and Industry Commission	59	Nanjing City, Jiangsu Province	Lieutenant general	—	Member, Central Committee	Vice chairman, National Defense Science, Technology, and Industry Commission
11	Liu Anyuan	Political commissar, Second Artillery Corps	63	Gaoqing County, Shandong Province	Lieutenant general	—	Member, Central Committee	Political commissar, PLA General Logistics Department
12	Fu Quanyou	Commander, Lanzhou Military Region	60	Yuanping County, Shanxi Province	Lieutenant general	1st Field	Member, Central Committee	Commander, Chengdu Military Region
13	Shi Yuxiao	Political commissar, Nanjing Military Region	57	Baoji County, Shaanxi Province	Lieutenant general	1st Field	Member, Central Committee	Deputy political commissar, Nanjing Military Region
14	Wang Chengbin	Commander, Beijing Military Region	62	Yexian County, Shandong Province	Lieutenant general	3d Field	Member, Central Committee	Deputy commander, Nanjing Military Region
15	Song Keda	Political commissar, Shenyang Military Region	62	Yancheng County, Jiangsu Province	Lieutenant general	4th Field	Alternate member, Central Committee	Political commissar, 39th Army
16	Zhu Dunfa	Commander, Guangzhou Military Region	63	Peixian County, Jiangsu Province	Lieutenant general	2d Field	—	Deputy commander, Shenyang Military Region
17	Li Xuge	Commander, Second Artillery Corps	63	Luoxian County, Hebei Province	Lieutenant general	North China	Member, Central Committee	Deputy commander, Second Artillery Corps

Table 2: Ranking List of 31 Chinese Communist High-Ranking Officers (Continued)

Position	Name	Current Military Post	Age	Birthplace	Military Rank	Army System	Party Status	Important Military Post Record
18	Wei Jinshan	Political commissar, Navy	63	Penglai County, Shandong Province	Vice admiral	3d Field	Member, Central Committee	Director, Political Department, Shenyang Military Region
19	Zhang Zhongxian	Political commissar, Guangzhou Military Region	64	Weishan County, Shandong Province	Lieutenant general	4th Field	Member, Central Committee	Director, Political Department, Shenyang Military Region
20	Zhu Guang	Political commissar, Air Force	68	Changqing County, Shandong Province	Lieutenant general	2d Field	Member, Central Committee	Deputy secretary, Discipline Inspection Committee, Military Commission
21	Zhang Zhen	President, National Defense University	76	Pingjiang County, Hunan Province	General	3d Field	Member, Central Advisory Commission	Director, PLA General Logistics Department
22	Zhang Lianzhong	Commander, Navy	59	Jiaoxian County, Shandong Province	Vice admiral	3d Field	Alternate member, Central Committee	Deputy commander, Navy
23	Gu Hui	Commander, Nanjing Military Region	60	Gaixian County, Liaoning Province	Lieutenant general	4th Field	Alternate member, Central Committee	Deputy commander, Jinan Military Region
24	Zhang Wan-nian	Commander, Jinan Military Region	62	Longjiang County, Shandong Province	Lieutenant general	4th Field	Alternate member, Central Committee	Deputy commander, Guangzhou Military Region
25	Zhang Taiheng	Commander, Chengdu Military Region	59	Guangrao County, Shandong Province	Lieutenant general	3d Field	—	Deputy political commissar, Jinan Military Region
26	Song Qinhua	Political commissar, Jinan Military Region	61	Lingxian County, Shandong Province	Lieutenant general	3d Field	—	Deputy political commissar, Jinan Military Region
27	Yang Yongbin	Political commissar, PLA Academy of Military Science	63	Jining County, Shandong Province	Lieutenant general	3d Field	—	Deputy political commissar, Jinan Military Region
28	Jiang Shunxue	Commandant, PLA Academy of Military Science	64	Shenxian County, Hebei Province	Lieutenant general	3d Field	—	Political commissar, Lanzhou Military Region Air Force
29	Cao Pengsheng	Political commissar, Lanzhou Military Region	60	Leting County, Hebei Province	Major general	4th Field	Member, Central Discipline Inspection Commission	Deputy political commissar, Jinan Military Region

**Table 2: Ranking List of 31 Chinese Communist High-Ranking Officers (Continued)**

Position	Name	Current Mil- itary Post	Age	Birthplace	Military Rank	Army System	Party Status	Important Military Post Record
30	Zhang Gong	Political commissar, Beijing Mili- tary Region	55	Yuanping County, Shanxi Prov- ince	Major gen- eral	—	—	Director, Political Department, Beijing Mili- tary Region
31	Gu Shanqing	Political commissar, Chengdu Military Region	59	Fuxian County, Lia- oning Prov- ince	Major gen- eral	4th Field	—	Deputy political commissar, Guangzhou Military Region

Note: If a birthplace is in a province in the Huang He Valley or is north of the Huang He, then it is in the north; if it is south of the Huang He, then it is in the south. Men with identical scores are ranked in order from younger to older, and men of the same age are ranked in order according to the number of strokes in the simplified character for the surname.

(Some concepts in this article were the result of the instruction I received from Dr. Yang Jih-hsu [2799 2480 2485], to whom I express special gratitude.)

### Space Launch Technology Adapted to Civilian Use

91CM0051B Beijing JINGJI RIBAO in Chinese  
16 Oct 90 p 2

[Article by Sun Gang (1327 0474): "China's Space Launch Vehicle Technology Is Being Fully Displayed in the Civilian Sphere—Make Headway in Spaceflight Technology, Use a Weapon for Peaceful Means, and Make Outstanding Contributions"]

[Text] The China Space Launch Vehicle Technology Research Institute has made some outstanding contributions that have enabled China to ascend into the ranks of countries advanced in spaceflight. While having a hand in putting 30 man-made satellites into space, the institute has also made repeated contributions for use of this technology in the civilian sphere. During the last few years, 70 percent of these projects developed for civilian use have originated in China, with 5 percent attaining an internationally advanced level. This shows fully that modern technology plays a major role in driving development of the productive forces.

Due to strategic readjustment of the nation's economic development and a shrinking demand for military goods, the China Space Launch Vehicle Technology Research Institute started paying attention to the use of space launch vehicle technology in the service of civilian industry. In this way, not only were technical problems in other areas solved and research and development costs reduced, but large savings were also realized in foreign exchange.

In the early 1980's, the Tianjin Shihua Corporation's Dagang Chemical plant imported a fairly modern production line from the Federal Republic of Germany, the key components of which consisted of two oil fuel heaters. However, only low-cost heavy diesel fuel is available as fuel in China and since the original design

did not make allowances for this, they had not been able to operate the lines normally. Each work stoppage resulted in a million yuan loss per day. In June 1988, the rocket technology research center utilized the technology it had acquired in rocket jet engines, atomization, and combustion control to construct and redesign the air-blower adjustment and automatic ignition systems. This increased the heating efficiency of the two heaters by 11 percent, saved over 1,800 tons of fuel each year, ended a history of constant work stoppages, and resulted in the factory increasing its profits by 20 million yuan annually.

The city of Beijing started using gas very early and now has more than 1,200 kilometers of gas lines. However, because it lacked an effective means to control the supply of gas, the problem of unequal gas pressure throughout the network had remained unsolvable for some time and had caused damage to equipment as well as gas outages. In 1988, the research institute utilized technology of the "four remotes" found in guided-missile control (wireless telemetry, remote communications, remote adjustment, remote control) to research and develop a gas differentiation and adjustment system. After a period of operation, data showed 100-percent accuracy with all design requirements being met. The Beijing Municipal Science Commission listed this as one of the "100 achievements in using military projects for civilian use during the 40 years since the founding of the Republic."

In recent years, the Space Launch Vehicle Technology Research Center has transferred technology to over 10 industries including those the petroleum, machinery and electrical equipment, energy, communications, textiles, and medicine industries. The majority of this technology was either in urgent demand in China or has replaced technology that was formerly imported from abroad.

### Jiangxi Meeting on Winter Conscription

91CM0051A Nanchang JIANGXI RIBAO in Chinese  
5 Oct 90 p 1

[Article by special correspondent Xi Aiming (1598 1947 7686): "Jiangxi Begins Winter Conscription—Support Army Building, Ensure Troop Quality"]

[Text] The conference on conscription work in Jiangxi for the winter of 1990 was held on 28 and 29 September in Nanchang. The conference requested that areas vigorously support army building through the practical actions of doing a good job in conscription work and ensuring troop quality.

The winter conscription will be carried out on the heels of the conscription in the spring. During the spring conscription, the Army and people worked together as one. The party committees at all levels, the government, and military service organs centered themselves on ensuring troop quality while supporting objectives and conducting legal conscription. The goals for the spring conscription were completely satisfied, with the emergence of more than 200 cities and counties that are advanced in conscription.

Jiang Zhuping [5592 4376 1627], head of the provincial conscription leading group and provincial vice governor, said during a speech that carrying out conscription well and ensuring the troops are up to standard by steadily instilling good political ideology in units, ensuring physical fitness, and ensuring that they possess a good education are the most practical and effective means of supporting army building, and the most effective means of guaranteeing a stable military. All levels of the government and military service organs, leaders at all levels, and the great masses of people need to have a thorough understanding of the decision of the State Council and Central Military Commission that "in the future, the yearly conscription and demobilization will be carried out in winter." They need to thoroughly publicize the policies and significance of this year's winter conscription, enhance policy concepts, resolutely correct any unhealthy tendencies in conscription work, and do as much as possible to bring the most outstanding young people into units.

The following leading cadre from the provincial military district attended and gave speeches at the conference: Zhang Chuansi [1728 0278 6108], Zhang Yujiang [1728 3768 3068], Feng Jinmao [7458 6855 5399], and Zhong Qing [0112 3237]. Putting forward ideas on specific plans for conducting winter conscription were responsible cadres from the provincial Propaganda Department, Public Security Office, people's government, Public Health Office, and the provincial Military District Logistics Department.

#### Development of Light Warships in Navy

91CM0052A Hong Kong KUANG CHIAO CHING /WIDE ANGLE/ in Chinese No 217, 16 Oct 90 pp 92-98

[Article by Ling Yu (0407 1342): "New Light Warships in Chinese Navy"]

#### [Text] The Type-04 Kronshtadt-Class Submarine Chaser

The Chinese Communists received six Kronshtadt-class submarine chasers from the Soviet Union in July 1955,

and, in accordance with the agreement signed on 4 June 1953 by the Chinese Communists and the Soviet Union, China used technology transferred from the Soviet Union to manufacture a number of Kronshtadt-class submarine chasers in the Shanghai and Guangzhou shipyards. Twelve of these were completed in 1956 and two more the next year. The Chinese Communists called these ships Type-04 submarine chasers.

The Type-04 is 52.1 meters long, has a beam of 6.5 meters, a draft of 2.34 meters, and a full-load displacement of 320 tons. The main machinery consists of three diesel engines with a total of 3,300 shaft horsepower [shp] (three shafts). Its maximum cruising speed is 18 knots, it can withstand up to force-8 winds, and has a complement of 75.

Its armament includes an 85-mm gun in the bow, two single-barrel 37-mm machine guns in the stern, and one 12.7-mm antiaircraft gun in front of the bridge as well as one each on either side of the funnel at midships. Antisubmarine weaponry includes two Soviet-made RBU 1200 depth-charge mortars installed on the deck in front of the main gun, and two large depth-charge racks in the stern capable of handling 30 large depth charges. This ship also has two minelaying rails, and the ship can carry 12 Mao-1 mines or 12 small bottom mines. The ship is equipped with one high-frequency hull sonar used to actively search for and attack submarines. The radar used for scanning the surface is the Soviet-made Ball End.

The Type-04 submarine chaser took part in the naval battles between the Kuomintang [KMT] and the Chinese Communists in the early 1960's as well as the Tungsha Tao naval battle of 1974. Some Type-04 ships are now nonoperational, and the ship is gradually being replaced by the Type-037 submarine chaser.

#### The Type-037 Hainan-Class Submarine Chaser

In 1959, the Chinese Communist naval forces began designing a 300-ton submarine chaser. The first new submarine chaser was assembled in August 1962, was launched in December 1963, and began to undergo testing at sea in March 1964. After several dozen major tests were completed, it went into service.

The new submarine chaser was called the Type-037, and Western specialists named it the Hainan class. This ship is similar in profile to the Soviet Union's SO-1 submarine chaser, but it is bigger and its armament is stronger. The Type-037 submarine chaser is 58.8 meters long, has a beam of 7.2 meters, a draft of 2.35 meters, and a full load displacement of 392 tons. It can withstand winds up to force 8 and has a complement of 78 persons.

Although the "Hainan"-class ships were designed for use in antisubmarine operations, it was inevitable in the period when they came into service that they would be considered for use in the naval battles between the KMT and the Chinese Communists. For this reason, the "Hainan"-class ships perform well at high speed. Their

top speed is 30.5 knots and they can perform well in coordinated operations with P-6 torpedo boats and "Shanghai"-class gunships. Its main machinery is composed of four diesel engines with a total of 8,800 shp (four shafts). Its operational radius is 840 nautical miles.

It is reported that when the Type-037 submarine chaser prototype was being tested by the Navy, it took part in the naval battle of 6 August 1965, and it worked together with a "Shanghai"-class gunboat to sink a submarine chaser named the Changchiang (full load displacement, 450 tons) in Taiwan's Navy. The Chinese Communist Navy was quite satisfied with the performance of this ship, which began batch production in Shanghai and Guangzhou in 1966. Figures in *Jane's Fighting Ships, 1989-90*, indicate that the Chinese Communist Navy now has 60 "Hainan"-class submarine chasers.

The armament of the Type-037 includes one twin 57-mm/66 gun both fore and aft with a range of 12 kilometers and a 6.31-kilogram shell. There are two twin 25-mm/60 guns, one on the forward 01 deck in front of the bridge and one on the aft deckhouse. Antisubmarine armament includes four Soviet-style model 62 RBU 1200 mortar launchers in the bow, and two racks for large depth charges as well as two BMB-2 subcaliber large depth-charge projectors in the stern. The ship can carry 20 large depth charges, which is fewer than the Type-04 can carry. The ship has a hull-mounted high-frequency sonar. Electronic equipment on early versions of the Type-037 was very rudimentary with only a short stub mainmast and a Skin Head radar. Later ships have a tripod lattice mast, a Pot Head radar, and a High Pole IFF interrogator.

Chinese Communist publications report that, prior to the 1980's, although the Type-037 submarine chaser was equipped with depth-charge mortars, large depth-charge launchers, depth-charge racks, sonar, and electrical sight drive mechanism, it did not have a complete depth charge antisubmarine system because it lacked a director instrument. When the commander was carrying out an attack against a submarine, he had to direct navigation at the same time that he commanded the attack. In reality, every battle station acted on its own, which was inadequate for the needs of antisubmarine warfare. To deal with this problem, the Chinese Communist Navy had the relevant departments carry out research and design. Initial success in development of the first RBU 1200 depth charge antisubmarine system was finally attained in 1980. This antisubmarine weapons system later evolved into three different types to constitute a series of antisubmarine products.

The Type-037 took part in the Tungsha Tao naval battle, and the Chinese Communists have sold the Type-037 to other countries, including eight to Bangladesh, eight to Egypt, six to North Korea, and four to Pakistan.

#### Reproducing and Improving Soviet-Style Guided-Missile Ships

According to the 4 February 1959 agreement signed by Beijing and Moscow, the Chinese Communists were supposed to use blueprints and components supplied by the Soviet Union to reproduce "Huangfeng"-class [Wasp] (larger model) and "Wenzi"-class [Mosquito] (smaller model) guided-missile ships, but the Soviet Government withdrew its experts in August 1960, causing great difficulty for the Chinese Communists in their work to reproduce these ships. In late 1965, using what incomplete technical information and components they had managed to receive, the Chinese Communists successfully reproduced the "Huangfeng"-class large guided missile craft, which they named the Type-21. The construction of the Type-21 was a very significant step in the Chinese Communists' efforts to improve the operational capability of their Navy. It was a landmark signaling the beginning of the use of missiles on surface ships in the Chinese Communist Navy. On 7 April 1967, the Chinese Communist Navy established its first base for guided-missile ships in Qingdao, where the 201st Guided-Missile Craft Brigade was stationed.

The "Huangfeng"-class Type-21 is 38.75 meters long, has a beam of 7.6 meters, a draft of 2.99 meters, standard displacement of 167 tons, and full load displacement of 205 tons. It has three Light 42-160 model diesel engines, each with 4,000 horsepower. The ship has a maximum speed of 39 knots, a range of 1,000 nautical miles at its most economical cruising speed of 30 knots, and an operational radius of 350 nautical miles. This ship can withstand winds up to force 7, and it will not sink even when side-by-side missile launchers are filled with water. It is self-sustaining for five days and nights, and it has a complement of 30.

The main armament of this ship includes four single ship-to-ship missile launchers loaded with four SY-1 guided missiles. There is one antiaircraft gun both fore and aft. The AK-230 twin 30-mm automatic machine gun system, designed specifically for "Huangfeng"-class ships, was originally to have been imported from the Soviet Union in the early 1960's, but because Moscow failed to honor the contract and provided only partial information on this gun, for a long time Type-21 guided-missile ships built by the Chinese Communists lacked this system and used in its place the twin 25-mm/60 machine gun. Thirteen years later, the Chinese Communists finally succeeded in reproducing the AK-230 system, which it named the model 69. In the process of reproduction, the Chinese Communists improved the gun's drive motor, servo-amplifier and the enclosed structure, thereby resolving some key technical flaws in the Soviet-built gun. The Chinese Communists designed the Round Ball fire-control system to go with the radar system used to control the model-69 gun. Its profile is different from that of the AK-230's Soviet-style Drum Tilt radar. It is bigger. The Chinese Communist Navy also improved the missile launching and loading apparatus on the Type-21 guided-missile ship, reducing by

three-quarters the time required for a ship to load all of its missiles. The missile attack radar is the Soviet-style Square Tie.

The Chinese Communist Navy now has more than 100 Type-21 guided missile ships. In addition, the Chinese Communists have also designed and built a modified version referred to by Western specialists as the "Holla"-class. It is slightly longer than the "Huangfeng"-class at approximately 42 meters, has a folding mast which will enable it to anchor in a covered berth, and the ship has no guns. The Chinese Communists have not been reported to have built any more ships of this class. In 1984, the Chinese Communists exported four Type-21 guided-missile ships to Pakistan. None of these four ships had the Round Ball radar, and they were equipped with 25-mm guns. Pakistan is the only foreign military using the Type-21 guided-missile ship.

#### Type-24 Guided-Missile Ships

The Chinese Communists did not limit themselves to copying from Soviet blueprints when they reproduced the "Wenzi"-class guided-missile ships. The Soviet Union provided the Chinese Communists with three or four "Wenzi"-class ships in the mid-1960's or earlier. According to unverified reports, during the Vietnam war Beijing gave these ships to Vietnam in the form of "selfless aid." However, the Chinese Communists studied the principal information on the "Wenzi"-class ships and improved parts of the design. They built a small guided-missile ship of similar tonnage and called it the Type-24, called by Western specialists the "Hegu" class.

The Soviet Union's "Wenzi"-class guided-missile ships were modified versions of the P-6 torpedo boat, and the Chinese Communists also used the P-6 hull design for their Type-24, but they switched to a steel hull. The ship's outward appearance differs from the Soviet version in two ways. The bridge is similar in appearance to that of "Huangfeng"-class ships rather than "Wenzi"-class ships. The bridge is farther forward and farther from the missile launcher. The four-footed lattice mast of the "Wenzi" class has been replaced by a pole-type mast.

The Type-24 guided-missile ship is 27 meters in length, has a beam of 6.5 meters, a draft of 1.8 meters, standard displacement of 68 tons, and full load displacement of 79 tons. It has four diesel engines with four shafts, a top speed of 38 knots, economical cruising speed of 26 knots, and an operational radius of 150 nautical miles. It is capable of withstanding wind up to force 4, is self-sustaining for up to five days and nights, and has a complement of 19.

The ship's armament includes two SY-1 ship-to-ship guided-missile launchers and one twin 25-mm/60 gun mounted in the bow. The guided-missile attack radar is the Soviet-style Square Tie.

The Chinese Communists have also built a modified version of the Type-24 called the "Hema" class by Western specialists. The "Hema" class is slightly longer than the "Hegu" class at approximately 28.6 meters, and a hydrofoil is mounted in the forward section of the hull. One twin 25-mm/60 gun is mounted on the deck abaft.

The Chinese Communists have sold the Type-24 guided missile ship to many countries, including Albania (four, 1976), Pakistan (four, 1981), Bangladesh (four, February 1983), Egypt (six, 1984), and North Korea (unspecified number).

#### The Mystery of the Haiying Guided-Missile Ship

In the mid-1970's, the Chinese Communists filmed and publicly showed a movie called *Second Spring*. A new type of guided missile ship appeared in the movie, and it is called the "Haiying." Although some naval specialists in the United States and NATO believe that this ship was just a prop for the movie, this writer has seen the movie many times and believes that the "Haiying" is not a movie prop but is, in fact, a real ship. However, the ship's technology seems too advanced for the capabilities of the Chinese Communists at that time, so Western specialists have been skeptical.

The "Haiying" has a displacement of roughly 300 tons and a length of about 47 meters. The transom plate has three exhaust outlets, so it is reasoned that the main machinery is a gas turbine. Behind the bridge is a large, circular radome. At the rear end of the deckhouse is a funnel mast, atop of which is some very rudimentary electronic equipment. The ship's armament consists of six ship-to-ship missile launchers as well as an enclosed twin 57-mm gun turret both fore and aft. In the movie, the guided-missile launchers are not loaded, but it can be deduced from the various ship-to-ship missiles displayed by the Chinese Communists in international military exhibits that the launchers seen in the movie might take the Feilong-7 (FL-7) missile, but the range of the FL-7 is too short.

Judging by information received so far, the "Haiying" could very possibly be a platform used for testing new technology such as gas turbines, new gunsight radars (the Round Ball radar could very possibly have been developed using this ship), new ship-to-ship missiles, and new enclosed automatic guns.

#### Retrofitting Guided Missile Ships Currently in Service

According to reports in Chinese Communist periodicals in 1987, Chinese Communist shipbuilders are now modernizing a group of naval ships that have been in service for many years in order to improve performance and survivability. The retrofitting is targeted primarily for guided-missile destroyers, guided-missile boats, and guided-missile submarines. Retrofitting of the guided-missile boats began in the latter half of 1987, and the work consisted mainly of replacing the original SY-1 missile with the C-801 "Yingji-8" ship-to-ship missile. Because the "Yingji-8" is so much lighter than the SY-1

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(815 kilograms versus 2,095 kilograms), retrofitted guided-missile ships can carry twice as many missiles. The Type-21 can carry eight and the Type-24 can carry four.

Apart from missile refitting, the Type-21 guided missile ship, originally equipped with a 25-mm gun, may be refitted with a model-69 gun system (twin 30-mm gun and Round Ball radar).

Main Surface Warships in the Chinese Communist Navy

Type	Gunship		Torpedo Boat				Submarine Chaser			Guided-Missile Ship			
Number		62	27	25	26			037	04	H-3D	21	24	
Class	Shantou	Shanghai I	Humen	Huchuan I	Huchuan II	P-6	P-4	Haizhu	Hainan	Kronstadt		Huangfeng	
Standard displacement (tons)	60	122.5				64	22.5	Approx. 450	375			167	68
Full load displacement (tons)	80	134	92.6	39.6	43	73	25		392	320	520	205	79
Total length (meters)	25.5	39	28.44	21.8	21.8	26	19	Approx. 64	58.8	52.1	65	38.75	27
Total beam (meters)	5.8	5.5	5.2	6.3	6.3	6.1	3.3		7.2	6.5		7.6	6.5
Draft (meters)	2.0	1.86				1.5	1.0		2.35	2.34		2.99	1.8
Main machinery	4 diesel engines	4 diesel engines	4 diesel engines	3 diesel engines	3 diesel engines	4 diesel engines	2 diesel engines	CO-DAG(?)	.4 diesel engines	3 diesel engines	CO-DAG(?)	3 light 42/160 diesel engines	4 diesel engines
Horse-power	3,000	4,220		3,600	3,600	4,800	2,400		8,800	3,300		1,200	4,800
Maximum speed (knots)	Less than 28	30	45	54	50	41	50	30(?)	30.5	18	33(?)	39	38
Operational radius* (nautical miles)	145	200	166	150	150	150	120		840	405		350	150
Self-sustaining (days and nights)	4	7							7			5	5
Complement	17	38		16	16	15	12		78	75		30	19
Armament	Twin 37-mm cannon (2)	Twin 37-mm cannon (2)	533 torpedo tube (4)	533 torpedo tube (2)	533 torpedo tube (2)	533 torpedo tube (2)	457 torpedo tube (2)	Twin 57-mm cannon (1)	Twin 57-mm cannon (2)	Single 85-mm cannon (1)	Yingji-8 missile (6)	SY-1 missile (4)	SY-1 missile (2)

Main Surface Warships in the Chinese Communist Navy (Continued)

Type	Gunship		Torpedo Boat				Submarine Chaser			Guided-Missile Ship			
	Twin 14.5-mm gun (2)	Twin 25-mm cannon (2)	Twin 25-mm cannon (2)	Twin 14.5-mm gun (2)	Twin 14.5-mm gun (2)	Twin 25-mm cannon (2)	Twin 14.5-mm gun (1)	Twin 30-mm cannon (1)	Twin 25-mm cannon (2)	Single 37-mm cannon (2)	76-mm or 57-mm cannon (1)	Twin 30-mm or twin 25-mm cannon (2)	Twin 25-mm cannon (2)
	Small depth charges (8)	Large depth charges (8)	Small depth charges (12)	Small depth charges (6)	Small depth charges (6)	Small depth charges (12)	Small depth charges (4)	5-barrel depth-charge mortars (4)	5-barrel depth-charge mortars (4)	Twin 12.7-mm gun (3)	Twin 30-mm cannon (2)		
	Mao-1 mine (8)	Unspecified number of torpedoes	Chen-500 mines (2)	Chen-500 mines (2)	Sinking-500 mines (2)			Sub-caliber depth-charge launchers (2)	5-barrel depth charge mortars (2)				
									Large depth charges (20)	Large depth charges (30)			
									Mao-1 mines or small sinking mines (12)	Mao-1 mines or small bottom mines (12)			

\* Operational radius is generally calculated as one-third of the cruising radius.

On 23 December 1987, signing ceremonies were held in which the general contract for the design and construction of the Chinese Communists' new guided-missile ships was awarded. It is foreseen that the new guided-missile ships will be put into service in the early 1990's.

### Improved Officer-Soldier Relations Sought

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[Article by Lieutenant General Fu Quanyou (0265 0356 2589), commander, Lanzhou Military District: "Implementing a Consistent Policy for Officers and Soldiers"]

[Text] Our party, Army, and state are now in an extremely important historical period and, under the new historical conditions, the Military Commission's chairman, Jiang Zemin, and its secretary general, Yang Baibing, have issued higher demands for resolutely implementing the principle of unity between officers and soldiers. We must make implementing this principle a major undertaking and give it a very important position so that there will be a major improvement in the relations between officers and soldiers. Implementing the principle of unity between officers and soldiers requires a great deal of hard and painstaking work. In view of the

current situation, I think that we should make work in two areas our points of emphasis.

#### I. Stress Ideological Education and Strengthen the Political Foundation of the Principle of Unity Between Officers and Soldiers

Based on the Army's current situation, we should stress ideological education work in three areas:

First, strengthen education in revolutionary ideology. When summarizing the lessons of relaxing ideology education work in recent years, Deng Xiaoping said, "Our biggest mistake in the past few years is that we have not seized on the fundamental issue of education." To uphold the principle of unity between officers and soldiers, we should first of all strengthen revolutionary ideology education so that the officers and soldiers understand that the goal of their common struggle is the same, that is, to realize the "four modernizations" and communism. During the years of difficult revolutionary struggle, because our Army's education on revolutionary ideals was highly effective, the officers and soldiers were tightly united and invincible. Although there are many differences between army-building in the modern period and in wartime, the fundamental interests and shared revolutionary ideals of the officers and soldiers are united. An army without shared revolutionary ideals is only a flock of birds and not only is it impossible for it to

have any cohesion, but even less is there any fighting strength to speak of. Due to the influence of the overall climate in the past few years, revolutionary ideology education has not been stressed much and there has been wavering in individual spiritual supports of officers and soldiers so that some problems have emerged in the relations between officers and soldiers. This lesson is very profound. Only if we strengthen revolutionary ideology education can we consolidate the political foundation of the unity of officers and soldiers and fully utilize a period of relative stability and peace to mobilize to the utmost the initiative of each officer and soldier, give free play to their creative spirit, create a powerful combined force, and do our utmost to turn our Army into a modernized, standardized revolutionary army. For this, each level should place strengthening revolutionary ideology education in the first and most important position, pay very close attention to it, not leave "gaps," and apply it to every cadre and soldier.

Second, strengthen education in revolutionary traditions. For the past few years China has implemented a policy of reform and openness and this is entirely correct. However, in reform and openness, some people have also accepted some erroneous ideas and have lost our Army's excellent traditions which should be carried forward and this should not be. Some people think that the principle of unity between officers and soldiers is out-of-date and no longer useful and that it should be replaced by so-called "new concepts" and "new thinking." There are also some young Army officers who have not made an effort to study revolutionary traditions but have been enthusiastic about studying Western military command methods, always referring to Patton and Napoleon. We definitely should fully understand that revolutionary tradition is a unique cherished tradition of our Army and definitely cannot be lost, for if we lose this good tradition, the Army will be in danger of changing its character. We should advocate emphasizing revolutionary tradition. Military academies should introduce courses on revolutionary tradition; units should make time for regularly carrying out education on revolutionary tradition; when new soldiers enlist and new cadres arrive in a unit we should lose no time in educating them on revolutionary tradition; we should also regularly organize units to participate in visits to revolutionary sites and shrines; and we should ask old Red Army soldiers and old revolutionaries to talk about revolutionary traditions. If these tasks are carried out they can root revolutionary tradition deeply in the thinking of the officers and soldiers and pass on the glorious revolutionary tradition of our Army from generation to generation.

Third, stress educating cadres at all levels to correct the basic attitude of the soldiers. Some cadres "set high standards for others, hoping that they will improve" and think that "slaps can produce good soldiers." Some leaders think that, although individual cadres sometimes hit and curse the soldiers, their motives are good. The primary cause of such phenomena is that the basic

attitude toward the soldiers is incorrect. Mao Zedong has said, "Many people have handled the relationship between officers and soldiers and between the Army and civilians poorly, thinking that their methods were incorrect, but I always tell them it's a matter of basic attitude (or basic purpose) and this attitude is respect for soldiers and respect for the people."<sup>1</sup> People respect themselves, and boxing their ears or cursing their mothers frequently hurts their feelings. We should pay particular attention in dealing with this. If you respect the soldiers, the soldiers will respect you, and if problems are discussed no matter what, they will not escalate into contradictions. In the past our older comrades did not much approve of standing at attention in front of the troops, and in the past these things were called a remnant of militarism. How to maintain unity with the soldiers is an issue that deserves attention. Thus, we should educate the cadres to correct their basic attitude toward the soldiers and to manage them by treating the soldiers with deep class feeling and friendship. We should educate the cadres to correctly make a clear distinction between strict management and simple brutality. For cadres to uphold strict management is an expression of their sense of responsibility, but strict management is not the same as being simply brutal. Strictness is a manifestation of love, and the soldiers can truly accept it only through persuasive education so that they understand the reasons why things should be done this way and not that way.

## II. Adopt Forceful Measures, Guarantee the Implementation of the System of Regulations

For the past few decades, our Army has gradually formed effective regulatory systems for realizing the unity of officers and soldiers. Thoroughly implementing these systems is an important guarantee of upholding the principle of the unity of officers and soldiers. Viewed from the perspective of the problems that currently exist in the relationship between officers and soldiers, this is also related in an important way to the fact that these regulatory systems have not been implemented. Thus, special emphasis should be given to carrying out the regulatory systems in upholding the principle of the unity of officers and soldiers now.

The regulatory systems that need to be implemented in an emphatic way now are the following: 1) The soldiers committee system. The soldiers committee of each unit should be strengthened organizationally, the system should be implemented, activity should be regular, with full guarantees of the democratic rights of the soldiers. 2) The system of cadre appraisal by the soldiers. Generally, it should integrate the semiannual and yearend summary and arrange for soldiers to appraise the work of the cadres, discussing their good points as well as their bad points and presenting pertinent opinions and suggestions. We should mobilize the masses to say what is on their minds. The cadres should listen wholeheartedly and definitely not mechanically go through the motions. 3) The officers and soldiers joint life system. This is the "five togethers" that the cadres and soldiers carry out that we often talk about: eating together, living together,

training together, learning together, amusing themselves together. Grassroots-level cadres whose dependents and spouses live where they are stationed, except for Saturday evenings and Sundays when they return home on a rotational basis to be reunited with their families, are always sharing the "five togethers" with the soldiers, resolutely overcoming the phenomenon of the officers being remote from the soldiers. 4) The system whereby leadership and agency cadres go down to the companies to serve in the ranks and stay with grassroots-level units to help improve their work and gain firsthand experience. Each year all levels should arrange for a certain number of leadership and organization cadres to rotate to a grassroots-level unit for this purpose—it is best if it is to a unit stationed in a remote border area or region where life is tough—and to share the "five togethers" with grassroots-level officers and soldiers, to experience and observe work and living conditions at the grassroots level, and to help the grassroots-level officers and soldiers resolve real-life difficulties. 5) The system of addressing each other as "comrade." Because there is uniform political equality between the officers and soldiers in our Army, they should address each other by their position plus comrade or name plus comrade and are absolutely forbidden to use nicknames or code names. Currently, in the armies of some socialist countries they also sometimes encourage the use of "mister" or "miss," but this is absolutely forbidden in our Army.

To ensure establishment of the above-mentioned regulatory systems, we must do the following three [as published] things: First, improve education and arouse self-consciousness. We should make officers and soldiers understand that the aim of establishing these systems is not to punish certain people but to mobilize their initiative, effectively carry out our Army's basic functions, and complete its missions. Systems which have already taken shape should maintain their strictness. As long as these systems are implemented conscientiously, the Army can be close-knit and highly disciplined, have high morale, be exuberant, have staunch bearing, and increase its battle strength. Second, establish responsibility systems in various forms. Leadership and cadres at all levels should have a clear division of labor with regard to thoroughly implementing the systems and stress followup on the effectiveness in line with the division of labor. Whoever raises problems in establishing the systems should be responsible for investigation, and the "rod" should strike specific individuals. Third, uphold regular supervision and inspection to overcome assignment without inspection and irregular stressing. Fourth, stress the representative. Units and individuals who do a good job of establishing systems should be vigorously commended and those who do a poor job should be criticized or even punished.

In addition to upholding existing systems which have been well-established, implementing the principle of the unity of officers and soldiers should also focus on new situations that emerge in the relations between officers and soldiers in the new period and establish some

corresponding new systems. First is to establish a fixed system that links the leadership and organizations with a grassroots-level company. We should vigorously stress grassroots-level construction to establish a "grassroots-level army-building program" and leadership and organizations at all levels should establish extensive linkages with grassroots-level officers and soldiers. Practice proves that establishing a fixed system is essential for close contact between upper and lower echelons and between officers and soldiers. Second is to establish a mutual teaching-mutual learning system for officers and soldiers. For officers and soldiers to teach each other and learn from each other in military training can link up thinking, increase understanding, deepen feelings, and thus is a good way to make relations between officers and soldiers closer. Mao Zedong long ago discussed undertaking mass military training of officers teaching soldiers, soldiers teaching soldiers, and soldiers teaching officers, but it was never formed into a complete system. In the future this area seems to be a system that should be continued. Third is to establish a system for officers and soldiers to have heart-to-heart talks. In the sixties Mao Zedong said that starting heart-to-heart talks was a good method. The misunderstandings and hang-ups that sometimes occur between officers and soldiers are rather easily resolved though heart-to-heart talks. In the new period, the constituent elements of soldiers are much more complex than in the past and thinking is also much more dynamic than in the past, thus heart-to-heart talks should be more broadly developed. Fourth is that we should establish a reporting system. With such a system we could effectively monitor individual Army officers who use the authority of their position for personal gain, encroach on the interests of the soldiers, break the law and violate discipline, beat and curse soldiers or engage in various incorrect styles, and maintain the lawful rights and interests of the soldiers.

In summary, in the new period, the principle of the unity of officers and soldiers is a catalyst for revolutionizing, modernizing, and standardizing China's Army. We definitely should take Marxism-Leninism as our guide, hold high the banner of unity, staunchly carry out the principle of the unity of officers and soldiers, further establish a new type of harmonious relationship of officers and soldiers in the Army, form a powerful fighting force, maintain the essence of the people's Army, and ensure an armed forces of high stability and dedicated unity to make a new contribution to national stability and the four modernizations.

#### Footnote

1. *Selected Works of Mao Zedong*, Volume 2, p. 479.

#### Pointers To Strengthen Military Cadre Leadership

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[LEADERSHIP SCIENCE] in Chinese No 8, 16 Aug 90  
pp 38-39

[Article by Zhu Xunguo (2612 6064 0948), Organization Department, Unit 5468: "Ways To Self-Strengthen Military Grassroots-Level Cadre Leadership Authority"]

[Text] **About the Author:** Zhu Xunguo [2612 6064 0948] is male, 32 years old, a college graduate and a CPC member. He joined the Army in 1976 and has served as projectionist, company political instructor, and secretary in the political office of a military logistics unit. He is currently battalion secretary in the Organization Department of Unit 5468.

Engels said "there cannot be any consistent action without authority." Society needs authority and the Army needs it even more. Authority is especially indispensable at present in implementing the Military Commission's stabilization principle. The grassroots is the foundation of the armed forces and stabilizing the grassroots level comes before stabilizing the armed forces.

Grassroots-level cadres expect to have the authority to carry out their work smoothly. However, in recent years some grassroots-level cadres have not stressed self-improvement, self-perfection, and self-cultivation so that leadership authority among subordinates has weakened. This has created a clear contrast with the armed forces' demand for highly concentrated unity and the implementation of the Military Commission's stabilization principle. For this reason, placing emphasis on self-strengthening of grassroots-level Army cadre leadership authority has very important significance for strengthening armed forces construction.

#### **Analysis of the Causes of Weak Grassroots-Level Army Cadre Leadership Authority**

In terms of the process establishing grassroots-level cadre leadership authority, first, position appointments create the power base for their organization, then they can gradually establish popular trust and prestige in practice. In general, establishing a power base has been completed by the orders relayed from higher echelon leaders, but the establishment of popular trust and prestige requires some hard work. So what are the factors influencing the grassroots-level army cadres' establishment of authority? Specifically, they are the following six areas:

The first necessary condition for establishing authority is mastering the truth. However, some grassroots-level cadres have been teaching less through reason and have been dealing more in punishment, thus creating a "contrast between teaching and punishing." Guo Moruo said, "We will only bow our heads before the altar of truth and will not fall down before all material authority." This means that truth is the precondition for having people submit. Leadership that has authority not only has subordinates accept discipline, but also can convince subordinates in the face of the truth. As educational level and democratic consciousness increase, present-day soldiers are not as unquestioning; they are not satisfied with cadres who coerce with their authority and do not accept cadres whose policy level is low. But a few grassroots-level Army cadres have lost sight of this point and think that they can dictate everything if they have power.

Some just stare at their subordinates, treating disciplinary action as a "cudgel," and rely on disciplinary action to create popular trust; some rigidly transport local economic management methods into the armed forces and substitute punishment for instruction; some use the methods of such bourgeois military strategists as Patton and Napoleon to manage the armed forces as panaceas and precepts for leading soldiers, and they frequently physically abuse soldiers. This phenomenon of exercising authority through punishment is at considerable odds with the soldiers' pursuit of truth. Besides, they may subdue the soldiers temporarily, but ultimately they can suppress but not subdue them and they have damaged their own authority.

The second necessary condition for establishing authority is to convince the people by talent. However, some grassroots-level cadres of little real ability and learning are too officious, creating a "contrast of talent and duties." At a large meeting a newly appointed instructor read the term for "excessive drinking" [xujiu (6796 6794)] as "strong liquor" [xiongjiu (0423 6794)], and read "flatterer and toady" [ayufengcheng (7093 6161 1144 2110)] as "Auntie Toady" [ayifengcheng (7093 1210 1144 2110)]. For a while he was a laughing-stock among the soldiers who called him "Old Terrible" [laoxiong (5071 0423)] and "Old Auntie" [laoyi (5071 1210)] behind his back. This phenomenon is not uncommon at the grassroots level. Their prestige among the soldiers is not high because their abilities are inferior and they are not up to the leadership positions they have assumed. This discrepancy between ability and position has created in the minds of soldiers the image of the grassroots-level cadre as an "imbecile."

The third necessary condition for establishing authority is psychological tolerance. Some grassroots-level cadres work soldiers very hard but show little respect or understanding, thus creating an "emotional discrepancy." Emotion is the bond that links cadres and soldiers and is also the psychological foundation on which grassroots-level cadre leadership authority is based. Some grassroots-level cadres do not have authority because they lack avuncular feelings, admonitory [zheng 6927] friendship, and comradely love and know only how to use respect and understanding, but do not understand them, and have thus created a violent discrepancy.,

The fourth necessary condition for establishing authority is a good image. Some grassroots-level cadres have many defects in themselves, yet have few healthy tendencies, thus creating an "image discrepancy." In each soldier's mind there is an "expected image" of what their own leadership should be like, but some grassroots-level cadres do not have authority because their own image is too far different from the soldiers' "expected image" and thus they have lost the support and trust of the soldiers.

The fifth necessary condition for establishing authority is unity of goals. Some grassroots-level cadres rely too much on pandering to a low-level style and too little on

inspiring with common goals, thus creating a "discrepancy of ideals." As long as one used the broad ideals of communism to inspire the hearts of the soldiers and unify the thinking of the soldiers, then one can unify his goals and those of the soldiers on the foundation of common belief and thus establish his own authority. A minority of grassroots-level cadres get the work done outside the communist ideological system; some work by relying only on talking about material benefits, balancing economic accounts, and the personal loyalty of the brotherhood; and some operate by relying on promises that the soldiers can join the party or visit their relatives. Although this way of doing things may win over some, ultimately it may lose the support of the masses and damage authority because it does not make common ideals the foundation.

The sixth necessary condition for establishing authority is seeking the truth to deal with reality. Some grassroots-level cadres engage more in flourishes and less on stressing implementation, creating a "discrepancy of work style." Lenin said, "Definitely do not lie. Our strength is in telling the truth, bragging and lying are moral death, and are bound to lead to political death." Some of our grassroots-level cadres have violated precisely this taboo and treated work as something to be muddled through without striving for real achievement or being particular about results.

#### **Ways of Self-Strengthening Grassroots-Level Army Leadership Authority**

Following are the primary ways for the self-strengthening leadership authority which grassroots-level Army leadership cadres should carry out:

1. Establishing the materialistic historical view establishes authority in linking up with the masses. "The masses are the true hero" is a fundamental viewpoint of the materialist historical view and, proceeding from this viewpoint, we can reach the conclusion that "the soldier is the main element in building the company and hence it is deeply rooted in the soldier. But some grassroots-level cadres frequently turn their relationship with the soldiers upside down: They break away from the soldiers and lose their authority. For this reason, we should carry out self-strengthening of authority, have those who are grassroots-level Army cadres first of all change their fundamental attitude toward soldiers ideologically, from the high point of the principle of party nature recognize the important significance of linking up with the masses, and recognize the position of the soldiers as the masters in company building. Currently we should put forth effort to overcome the "four styles": one is to overcome the "official style," and maintain the true qualities of ordinary soldier; second is to overcome "finicky style", self-consciously sharing the joys and sorrows of the soldiers; third is to overcome "arrogant style", improving learning from the soldiers; and fourth is to overcome "grievance style", self-consciously accepting the supervision of the soldiers.

2. Improve the quality of oneself and establish authority using genuine talent. Genuine talent is the most important factor in establishing leadership authority. To have genuine talent it is necessary to make an effort to improve quality of oneself. There are many ways to improve quality, but based on the environment and conditions of the grassroots military cadres, primary is to learn in three areas: one is learning from the soldiers. Most current grassroots-level cadres have graduated from college so we could say they are rich in book learning. But relatively speaking, their experience in company work is somewhat weak. Learning from practice is an urgent task for these comrades. At present they should primarily learn the basic procedures of grassroots-level work and ways and means of dealing with various actual problems to improve their ability to control the company. Second is to learn from others. The key to learning from others is a matter of attitude, that is, not putting on airs and willingly become an "elementary student." Some comrades cannot see that there is anything worth learning because they haven't yet gotten down from their high horses. They feel that their predecessors are out-of-date, refuse to submit to their friends and neighbors as well, and also won't "bow" to their subordinates. The result is they "look at the sky from the bottom of a well" so the sky is only as big as a well. Third is continuing to learn from books. Although we have read some books, it is in the end only a drop in the bucket and after reaching our work stations we should still continue to enrich ourselves. This is first of all to resolve contradictions of work and study and to apply Lei Feng's spirit of the nail to find time to study. By learning from the above three "teachers" with determination, quality will improve, success in work will be achieved, and authority will naturally be established in the minds of the soldiers.

3. Establish an excellent image of fair and honest authority. "Fairness begets understanding, honesty begets authority." Grassroots-level cadres directly exercise control over soldiers, so fairness and honesty are even more important elements in establishing one's authority. To be fair and honest one should create the following four images among the soldiers: one is the image of honesty, giving the soldiers a sense of justice; second is the image of fairness, giving the soldiers a sense of impartiality; third is the image of a hardworking government, giving the soldiers a model; and fourth is the image of democracy, giving the soldiers a sense of trust. By achieving these four, the grassroots military cadre can establish an approachable, likable, respected, and trustworthy image in the minds of the soldiers.

4. To alleviate the worries and problems of the soldiers, seek authority from wholehearted service. Our purpose is to serve the people, and the grassroots-level Army cadres are to serve the soldiers. This is the meaning of "public servant" we constantly talk about. Serving the soldiers requires dealing with three relationships: one is the relationship of leadership and service, upholding the unity of leadership and service; second is the relationship of responsibility to superiors and responsibility to

subordinates, upholding the unity of responsibility to superiors and responsibility to subordinates; third is the relationship of resolving practical problems and resolving ideological problems, upholding the unity of resolving practical problems and resolving ideological problems. As long as cadres wholeheartedly serve the soldiers, the soldiers will be able to understand the cadres, contradictions will be easy to resolve, and the authority of the cadres will naturally be established.

## CENTRAL-SOUTH REGION

### Guangdong Province Releases Census Bulletin No 3

*HK2911123890 Beijing Guangdong Provincial Service in Mandarin 0400 GMT 27 Nov 90*

[Text] There are 53 nationalities across the province and the population of minority nationalities amounts to 350,500, making up 0.56 percent of the total provincial population, as was disclosed by Census Bulleting No. 3 released yesterday by the provincial Statistics Bureau.

According to the bulletin, there are 53 nationalities in this province, a fivefold increase over the 1982 census result. Han, Zhuang, Yao, and She nationalities each boast a population of over 10,000, while the remaining 49 nationalities number fewer than 10,000 each.

Census Bulletin No. 3 also published the numbers of people with different education levels of college, senior middle school, junior middle school, and primary school and of illiterate and semiliterate persons in all cities throughout the province. Cities that have more educated citizens are as follows, in the order of the greatest percentage per 100,000 to the lowest: Shenzhen, Guangzhou, Zhuhai.

There has been a decrease of 24.09 percent, or 2,082,200, in the illiterate and semiliterate population from the third census in 1982.

## SOUTHWEST REGION

### More Tourists Visit Tibet

*OW1711092690 Beijing XINHUA in English 0853 GMT 17 Nov 90*

[Text] Lhasa, November 17 (XINHUA)—A total of 9,440 overseas tourists visited the Tibet Autonomous Region in the first ten months of this year, up 300 percent over the same period of last year, according to the regional tourism bureau.

A bureau official attributed the increase to the lifting of martial law in Lhasa and the easing of limits on tourists to the region.

While adding more tourist items and facilities, the bureau is working out a plan to boost tourism with the help of the United Nations Development Program.

### Increased AIDS Education Urged for Women

*HK2911013290 Beijing CHINA DAILY in English 29 Nov 90 p 3*

[By staff reporter Zhu Baoxia]

[Text] Two sexually transmitted HIV cases have been detected in Yunnan Province.

Both cases are women and they became infected by their husbands who had been exposed to the virus by communal use of contaminated syringes for intravenous injection, CHINA DAILY learned yesterday in Beijing at a conference to mark the World AIDS Day that falls on Saturday.

Apart from these two women, the majority of the 378 Chinese HIV carriers are male drug addicts in Yunnan Province, an official from the Ministry of Public Health said.

Some senior medical experts participating in the meeting called for increased education on AIDS control to protect the health of women as well as children.

And they suggest that State departments such as the All-China Women's Federation and the Ministry of Public Security should work together in the education campaign.

An investigation among drug addicts in Yunnan revealed that only 30 per cent of them are aware that they could contract AIDS.

As well as medical experts, some State officials such as Chen Muhua, chairman of the All-China Women's Federation and Chen Minzhang, Minister of Public Health also attended the discussion. The conference is sponsored jointly by the Central Patriotic Health Campaign Committee, the National Women's Federation, the China Petrochemical Corporation and China Global STD (sexually-transmitted diseases) and the AIDS Foundation.

Qian Xinzhong, chairman of the AIDS Foundation, gave a report on the situation worldwide.

Statistics from the World Health Organization show that by mid-1990, at least six million people around the world had been exposed to HIV, one-third of whom are women.

And experts estimated that by 1992, about 200,000 women in the world will develop AIDS.

### Yunnan Organizes Discipline Inspection Teams

*HK1511063790 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 14 Nov 90*

[Text] The provincial CPC Discipline Inspection Commission held a mobilization meeting yesterday in Kunming on improving party style and building clean and honest government. Eight inspection groups for checking up on the work of improving party style and building clean and honest government, comprising a total of 60 members, are to set off to some prefectures, autonomous prefectures, cities, and departments throughout the province.

Qiu Chuangjiao, secretary of the provincial Discipline Inspection Commission and member of the provincial party committee standing committee, gave a report at the meeting.

The meeting stressed that comrades who will carry out the inspections must uphold the party's ideological principle of seeking truth from facts and the principle of placing high demands on party members. They must take the resolutions adopted by the Sixth Plenary Session of the party Central Committee as their guide and the State Council's instructions on punishing corruption and improving party style as their weapons in checking up on work related to cracking down on corruption, improving party style, and building clean and honest government in various areas. They must have open minds, help local units enthusiastically, and provide sound guidance.

The meeting made it clear that the inspection groups will check up mainly on: 1) Measures taken by party committees and governments at all levels and party groups in various departments to punish corruption, improve party style, and build clean and honest government, and how they have introduced the responsibility system for improving party style and uncovering and dealing with major criminal cases. 2) How they have investigated and dealt with important and major criminal cases and punished those who were guilty of bribery, embezzlement, or abusing their powers for personal gain. 3) How they have investigated and dealt with the cases which have aroused resentment among the general public and, in particular, how they have uncovered and punished those party cadres who violated law and discipline by building private houses. 4) How leading organs and cadres have overcome bureaucracy, subjectivism, and formalism; improved their work style; and gone down to the grassroots units. 5) How they have enforced financial discipline and advocated living a frugal life for some years. 6) How they have further screened and rectified various kinds of companies and stopped leading cadres at and above county level and their spouses and children from doing business. 7) How the departments concerned have accepted supervision by the masses in building clean and honest government and how the leading cadres have played an exemplary role. 8) How the economic management, supervision, and social affairs departments have worked to build clean and honest government, corrected unhealthy tendencies, and introduced the system of "making two matters known to the public and exercising supervision."

Again, the inspection groups are expected to find out what difficulties the local party committees and governments have in punishing corruption and come up with a solution in line with the extent of corruption found within the local party organizations. They will also find out how party organizations at all levels have relied upon and galvanized the masses to expose those who have encroached on the masses' interests by abusing their privileges.

The current inspection of the work of improving party style and building clean and honest government is jointly organized by the provincial leading group for building clean and honest government, the provincial Discipline Inspection Commission, and the provincial Supervision Department. The inspection groups are composed of cadres transferred from provincial leadership line-ups, provincial organs, and a number of other units.

## NORTHEAST REGION

### Heilongjiang Holds Briefing on Discipline Work

*SK1311151590 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 12 Nov 90*

[Text] As was learned from the news briefing held today by the provincial Discipline Inspection Commission and attended by the central press units stationed in our province and the various press units of the province, the provincial Discipline Inspection Commission urged discipline inspection organs at various levels to regard the efforts to support and protect reform and opening up and facilitate economic development as the basic starting point and ending point of discipline inspection work, and to support those engaged in reform, encourage those engaged in exploration, help those who have made mistakes, and punish those who have violated discipline. And they should make this work an important force promoting reform and economic development.

Wang Haiyan, Standing Committee member of the provincial party committee and secretary of the provincial Discipline Inspection Commission, spoke at the news briefing. He said that since the sixth session of the sixth provincial party committee made a resolution on doing a better job in the economic improvement and rectification and the in-depth reform and promoting stable economic development, discipline inspection commissions at various levels throughout the province have paid fairly great attention to implementing the guidelines of the resolution of the provincial party committee. However, there are still some problems we must not neglect. First, some people set the implementation of the guidelines of the sixth plenary of the sixth provincial party committee against the implementation of the several regulations of the Central Discipline Inspection Commission on punishing according to party disciplinary actions the Communist Party members who violate laws and discipline in the economic field and its call for correcting the unhealthy trends in some trades. Second, some people have doubts and misgivings. They fear that they may cause this or that kind of problem in the process of implementing the resolution of the provincial party committee, for which they may be punished in the future. To solve these problems, the provincial Discipline Inspection Commission recently held a Standing Committee meeting, and issued a circular on conscientiously implementing the guidelines of the sixth session of the sixth provincial party committee and facilitating reform, opening up and economic development. Major guidelines of this circular are as follows:

## REGIONAL

1. We should unwaveringly implement the guiding principle that discipline inspection work ensures implementation of the party's basic line, upholds the four cardinal principles, and promotes reform and opening up. We should firmly support those who adhere to the socialist orientation, and have the courage to reform and create the new. We should help those who make mistakes in reform due to a lack of experience or clear policy boundaries to summarize experiences and lessons. With regard to those who achieve good results and also have shortcomings and mistakes, we should affirm their achievements and point out their problems, and help them make progress continuously. With regard to those who are framed or attacked in retaliation in the process of reform, we should clarify right and wrong for them, protect them, and strictly deal with the persons who frame cases and retaliate against them. With regard to those who flaunt the banner of reform and take advantage of the loopholes of reform to abuse power for selfish gains, line their pockets with public funds, undermine economic stability, and disrupt the economic order, we should resolutely investigate and punish them.

2. We should strengthen supervision and examination of the implementation of the 50 policy regulations on promoting economic development issued by the provincial party committee and government, and use discipline to ensure the implementation of the various economic policies. We should fully support and commend those who have conscientiously implemented the 50 economic policies of the provincial party committee and government, criticize and educate those who have been perfunctory and ineffective in implementation, and order them to change within a fixed time. With regard to those who resist the policies or refuse to implement them, we should resolutely investigate and affix their responsibility, and strictly deal with them. When problems arise in the process of implementing policy, people who implement policy will not be called to account for as long as the problems do not concern violation of laws and discipline or the practice of embezzlement. In the process of enforcing discipline, we should have clear policy bounds. First, we should distinguish correct implementation of the policies on enlivening the economy formulated by higher levels in line with actual conditions from pursuit of selfish interests for one's own unit, small groups, or individuals on the excuse of making work flexible. Second, we should distinguish the mistakes made from a lack of experience from the violation of laws and discipline by taking advantage of the loopholes of reform. Third, we should distinguish the normal practice of sharing a certain amount of profits and giving awards adopted by enterprises in their economic activities from the embezzlement committed by individuals. Fourth, we should distinguish the normal practice of entertaining guests adopted by enterprises in their economic activities from the practice of lavish wining and dining with public funds. Fifth, we should distinguish the normal performance of the functions of enterprise

directors and managers from their abuse of power for selfish gains and infringement upon the interests of the masses.

3. We should actively provide a good environment for enterprises to develop production. We should help party committees and governments conscientiously clean up and correct the unhealthy trends in some trades, resolutely check the practice of arbitrary collection of funds, charges, and fines from enterprises, and strictly investigate and handle the cases of law and discipline violations of extorting money from enterprises. With regard to those who do not proceed from reality, do not act according to the economic law, give arbitrary directions, and thus cause serious economic losses to enterprises, we should investigate and affix their responsibility for bureaucracy. We should improve party style and party discipline within enterprises, and make earnest efforts to solve the problems about which workers have many complaints.

4. We should investigate and handle in a prudent manner the discipline violation cases involving reform. We should adhere to the principle of learning from past mistakes to avoid future ones, and cure the sickness to save the patient, and the principle of seeking truth from facts, act in strict accordance with policies, and make sure that facts are clear, evidence is conclusive, the nature of cases is accurately determined, and cases are handled properly.

### Liaoning Signs Agreement With Philippine Firm

SK2911150890 Shenyang Liaoning Provincial Service  
in Mandarin 2200 GMT 28 Nov 90

[Text] The Dalian Guangcai Industrial Company, Limited, recently signed an agreement with a Taiwan-funded enterprise in the Philippines, the Manila Island Development Corporation, with regard to cooperatively developing the Philippine Batangas archipelago. It is the first time for our province to engage in economic cooperation conducted by nongovernment enterprises from opposite sides of the Taiwan Strait. The project is mainly to utilize our country's technology and equipment to mutually develop the transportation, farmland reclamation, farming facilities, animal husbandry, construction, and electric power on the Philippine Batangas archipelago.

### Shenyang Reports on Education Reform Projects

SK1511042590 Shenyang LIAONING RIBAO  
in Chinese 3 Oct 90 p 1

[Article by Wang Yan (3769 3601): "Shenyang's Urban Educational Reform Develops in Range and Quality"]

[Text] Shenyang is one of the 15 cities designated by the state to conduct a comprehensive educational reform experiment. For more than two years, the city carried out reforms in the educational field that involved an extensive range of areas and touched deep-seated problems, and established in its initial form an overall framework

for the coordinated and comprehensive development of education, ranging from preschool education to adult education, thus promoting educational development. Its experiences have been fully affirmed by the State Education Commission.

The city carried out dozens of experimental reform projects consisting of reforms in the systems of leadership, management, structure, teaching, teacher's training, and funds.

It reformed the leadership and management systems to overcome the defect of multiple leadership, and boost the enthusiasm of various quarters for developing schools. In the past, Shenyang City's education was under multiple leadership, with the Education Bureau taking charge of primary and middle schools, the Higher Education Bureau taking charge of secondary specialized schools and local institutes of higher learning, and the Women's Federation taking charge of preschool education. During the comprehensive reform, the city changed the multiple leadership into centralized leadership, and worked out overall plans for the different departments concerned to implement. It put elementary education under the charge of districts (counties). It enforced the system of "establishing schools at three levels and putting them under the management of two levels" in rural areas; enforced the system of "establishing schools at city and district levels, putting them under the management of these two levels, and developing community-run education managed mainly by districts" in urban areas; encouraged both the government and enterprises to develop secondary vocational and technical education; put all local institutions of higher learning under the management of the government; put adult education under the management of enterprises and institutions; and made the entire society responsible for preschool education. The city education commission was responsible for formulating unified plans for schools of various categories at various levels throughout the city, and mapping out the comprehensive education reform programs for various pertinent departments and districts (counties) to implement after being examined and approved by the leading city comprehensive education reform group.

The city adjusted the structure of education to train personnel needed by various quarters of society. It changed the education to focus on enabling more students to enter higher level schools, and established an optimal overall education structure that suits economic and social development. It greatly developed elementary education with a focus on achieving universal nine-year compulsory education; made a breakthrough in the development of secondary vocational and technical education to establish a complete system for elementary, secondary, and high-level vocational education; improved the local institutions of higher learning; and reformed and developed adult education, focusing on on-the-job training. The city has established 110-odd skilled workers schools and was the first in the country to

establish a high-grade skilled workers school. It established 68 vocational junior middle schools, 44 vocational senior middle schools, and 46 secondary specialized schools. Twelve schoolhouses will also be put into use. The focus of the restructuring of education was to greatly develop vocational and technical training. The city has established a vocational education system that embraces all levels, from elementary to high levels and all trades, that has a rational structure, and that coordinates with regular education.

The city reformed both teaching methods and curricula to raise the educational quality and teaching level. All schools, from kindergartens to schools of higher learning, put moral education in the forefront. Moral education was conducted at different levels that could be accepted by preschool children and primary and middle school students. Local institutions of higher learning established an education network consisting of the institutions, their departments, society, and families. Networks on three levels, city, district (county), and school, were established to work out experimental programs for implementation. Within two years, 94 schools registered at the state, provincial, and city levels to carry out 46 teaching reform experiment projects. Of these projects, "adolescent education" was designated the key project. The "happy teaching" program of the No. 5 primary school affiliated with the railway department lightened the burden on students and improved teaching quality; the No. 2 primary school at Renao Road intensified education of the students whose family structure was not good enough; and the No. 134 middle school worked to change its backward outlook. There were also the experiences of "educating people in a dialectical and meticulous way," and "enhancing the superiority of a class as a whole, and improving the students' characters and mentality." These experiences have effectively promoted the educational and teaching reforms of the entire city.

The city reformed the input of funds and improved the teacher contingent to establish a good operation mechanism. The city party committee and government regarded financial allocation as the major source of educational input, and made sure that it increased every year. The city's 1990 education funds were budgeted at 265 million yuan, 2.22 times that of 1985. Meanwhile, it relied on various quarters of society to raise funds. The city government also used for education the surcharges on purchases of special-control commodities and firecrackers and funds collected from banquets. The city government decided to stop collecting fees for cleaning garbage and other purposes from primary and middle schools, beginning on 1 September 1989, in order to reduce school expenses. In the past two years, the city invested 30 million yuan to build a teachers training institute and a school of advanced study for teachers. The city now has 16 teacher training institutes, secondary teacher training schools, and schools of advanced study for teachers, and their school facilities all meet the state standards. Beginning in 1988, primary and middle schools adopted the system of open invitation when

employing teachers and administrative personnel, and the system of fixed quotas for total wages, the position wage system, and the system of subsidies to permanent teachers. The reform fully manifested the principle of distribution according to work, and increased the income of teachers and administrative personnel. The teaching contingent was stabilized thanks to a substantial increase in the income of backbone teachers, and their enthusiasm for participation in educational and teaching reforms, and in scientific research and experiments on education was boosted.

Through comprehensive reform, the enthusiasm of various quarters for developing schools was boosted. A vigorous new socialist educational system compatible with economic and social development was gradually established throughout the city.

### NORTHWEST REGION

#### Ningxia To Promote Literacy, Primary Education

*OW1911105590 Beijing XINHUA in English  
1033 GMT 19 Nov 90*

[Text] Beijing, November 19 (XINHUA)—The government of the Ningxia Hui Autonomous Region plans to wipe out illiteracy in the rural areas in the following decade.

The "PEOPLE'S DAILY" said today that insufficient education in the fields of scientific farming and management skills has hindered economic development in the rural regions. A survey of farmers between the age of 15 and 40, revealed that only 78 percent are able to read and write.

In addition, a survey of 172 peasant families in Qingtongxia indicated that almost half of those questioned could not recognize a common rice disease or explain methods to prevent such diseases.

The Ningxia government plans to popularize primary education, which usually lasts six years, in the whole region and three years of compulsory education in the mountainous areas.

Its initial target is to ensure that more than 85 percent of the farming population between the age of 15 and 40 becomes literate. The local government also plans to help the more than one million young and middle-aged farmers master at least one kind of practical skill, thus providing each village with at least one technician in a variety of fields.

### Prospects for Economic Ties to Taiwan in 1990's

91CE0056A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 40, 1 Oct 90  
pp 21-22

[Article by Li Fei (2621 7236): "Assessment and Analysis of the Trend of Development of Economic and Trade Relations Between the Two Sides of the Taiwan Straits in the 1990's"]

[Text] Since the beginning of the 1990's, the number of Taiwan manufacturers entering the mainland has gradually increased, resulting in new changes in the economic and trade relations between the two sides of the Taiwan Straits. The trend of development of economic and trade relations between the two sides of the straits is determined mainly by two aspects: One is Taiwan, including the trend of foreign trade and investment in Taiwan and the readjustment and change of the economic and trade policies of the Taiwan government toward Mainland China. The other is Mainland China, namely how the investment and trade environment of the mainland is adapted to the entry of Taiwan manufacturers into the mainland and the degree of its improvement. In addition, international factors such as changes in international economic situation and the readjustment of economic policies of great powers such as the United States and Japan will affect in different aspects the trend of development of the economic and trade relations between the two sides of the straits.

#### Taiwan Factor

Taiwan factor mainly refers to the objective situation of foreign economic development of Taiwan and the economic and trade policies of the Taiwan government toward the mainland.

Taiwan's economy belongs to the system of island economy which is highly dependent on the outside. With international protectionism on the upclimb, Taiwan has fewer and fewer ways to expand international markets especially the U.S. market. The situation is getting worse and worse everyday. To reduce pressures from the United States and improve the lopsided structure of Taiwan's foreign trade, Taiwan is seeking a new trade partner to alleviate the situation of overconcentrated market. The mainland market is close at hand and convenient for transportation and communication. It also has a huge consumption capacity of 1.1 billion people. It has great potential. Therefore, it is an ideal substitute market for Taiwan. The rapid growth of entrepot trade between the two sides in recent years has already proved this point. Currently mainland China is already the fifth greatest trade partner of Taiwan, and Taiwan is also the sixth greatest trade partner of Mainland China. The volume of bilateral trade conducted through Hong Kong alone exceeded \$3.4 billion in 1989. If we include trade conducted through other areas and direct trade between the people of the two sides, the figure ought to be over \$4 billion. Taiwan's trade with

the mainland will increase further, and the complementarity of the trade between the two sides will deepen gradually, enabling the mainland and island economies to complement each other. This is an inevitable trend of development of objective situation.

Taiwan's overseas investment is an inevitable phenomenon after Taiwan's economy develops to a certain stage. After over \$70 billion of excess foreign exchange reserve and a huge sum of idle social funds—\$100 billion—appeared in Taiwan's financial market, the tempo of foreign investment apparently sped up. According to the announcement of Taiwan's "central bank," since Taiwan lifted foreign exchange control in July 1987, a large amount of funds have been transferred abroad. As of the end of June 1990, the accumulative total of capital outflow was over \$30 billion. But \$8.8 billion was transferred overseas in the first six months of 1990 alone. It is estimated that by the end of 1990, \$16 billion will be transferred. Now, and for sometime to come, Taiwan capital will continue to be transferred abroad at the rate of \$10 billion a year.

Taiwan's capital outflow is caused by many reasons. The first one is that there is an "oversupply" of funds on the island. The enormous foreign exchange reserve and idle social funds are three to five times that of the normal amount. Besides, there are no suitable channels on the island to divert and absorb such funds, thus creating great inflationary pressures in Taiwan and causing the prices of real estate and stocks to fluctuate constantly. Hidden economic crisis may be triggered at any moment. If idle funds continue to circulate within the island, there will be great danger. Because of this, capital outflow is an inevitable trend. Second, increasingly deteriorating investment environment forces Taiwan manufacturers to move overseas. This is demonstrated in: 1) The value of new Taiwan dollar has increased substantially. The appreciation rate has reached 40 percent, seriously affecting the export processing industry of Taiwan. 2) Labor cost has increased continuously. Workers' monthly wage has doubled, increasing the burdens of most labor-intensive enterprises and forcing them to turn toward outside for lower labor cost. 3) Labor-management disputes have occurred frequently. The frequent occurrence of workers strikes and slow performance and the increasingly acute labor-management relation have substantially affected manufacturers' intention to continue to invest and expand reproduction. 4) Environmental pollution is serious within the island and along its coast line. Those industries which have strict requirements on the quality of environment such as the aquatics-breeding industry can no longer survive and have been forced to find new outlets abroad. 5) The awareness of environmental protection is on the rise. Those industries which cause serious pollution such as petrochemical and steel-smelting industries find it harder and harder to survive. 6) Land prices have soared. Those investment projects which have a greater demand for space cannot afford the prices and have been forced to seek cheaper land abroad. Third, as a result of the

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readjustment of Taiwan's industrial structure, some traditional labor-intensive industries which have been eliminated have been forced to move abroad. In order to accelerate industrial upgrade and push the island industry to an advanced level, Taiwan cannot avoid eliminating a considerable number of declining industries which have lost the ability to compete in Taiwan. If these declining industries want a new life, the only way is for them to move to areas where labor is inexpensive.

The Taiwan government's economic and trade policy toward the mainland is a restricting factor that obstructs the economic and trade relations between the two sides of the straits. However, its readjustment and change are determined to a great extent by the progress of the economic and trade relations between the two sides. Along with the change of objective situation, Taiwan's economic and trade policy toward the mainland will become looser and looser. Although the phenomena of tightening and wavering may occur and slow down the step of decontrol, the general trend is gradually loosening up.

**Mainland Factor**

Whether or not the investment and trade environment of the mainland is suitable for the trend of foreign investment and trade in Taiwan is another major factor affecting the trend of development of economic and trade relations between the two sides of the straits. Generally speaking, the investment environment of the mainland is very appealing to Taiwan manufacturers.

—Judged from the factor of operation, the mainland has abundant inexpensive labor; the prices of rent or transfer of land and factories are cheap; the market has fairly great potential; and some resources are relatively rich on the mainland.

—Judged from the factor of opportunity, Taiwan manufacturers enjoy preferential treatment when investing in or doing business with the mainland; they enjoy tax exemptions on the import of machinery equipment, raw materials, and spare parts (to be used to produce export goods) when establishing factories. Tax rates are relatively low—only 10 to 15 percent. Taiwan manufacturers enjoy operational freedom. There is no restriction on the ratio of investment or interference in their business decision-making power. The operational period is decided by manufacturers themselves or together with their cooperators and joint investors. Non-local employees of the enterprise may apply for multiple-entry-and-exit permit to facilitate their travel. In addition, since languages, customs, and cultural backgrounds are similar between the two sides of the straits, it is easy for Taiwan manufacturers to communicate and deal with the public on the mainland when they do business there. Since the two sides are geographically close to each other, manufacturers may save a large amount of transportation expenses and time.

Judged from the factor of risk, the safety coefficient of the mainland investment of Taiwan manufacturers is fairly high. The political and social situation of the mainland is stable. Its general political policy of "reform and opening up" and its Taiwan policy of "peaceful reunification" have been consistent. The mainland has always welcomed and encouraged Taiwan manufacturers to invest in and trade with the mainland. Because of all this, "political risk" is relatively low. The trend of economic development of the mainland is fairly good. Its economic growth rate is higher than the average level of Asian countries. The exchange rate of renminbi has declined on several occasions, but in general, it is still relatively stable. Prices are also basically stable. Thus "economic risk" also is fairly low. In addition, in order to encourage Taiwan compatriots to invest and build factories in Mainland China, the State Council promulgated "22" relevant regulations in July 1988, ensuring that all legal rights of Taiwan investors are protected by state law against encroachment. It ensured that their investment income may be remitted overseas according to law; that their assets generally are not nationalized; and that if their assets need to be nationalized for the reason of social interests, they will be compensated accordingly in accordance with legal procedures. Because of this, Taiwan manufacturers' "property risk" is protected by law.

The mainland has adopted a series of effective measures for improving investment and trade environment. These measures will make the mainland more appealing to Taiwan manufacturers and create better conditions for Taiwan manufacturers to invest in and do business with the mainland.

**Future Trend of Development**

In view of the trend of development of Taiwan's foreign investment and trade and the constant improvement of the mainland's investment environment, the future trend of development of economic and trade relations between the two sides of the straits will be demonstrated mainly in the following areas:

1. As far as the scale of contacts is concerned, economic and trade contacts will develop from being indirect to semi-direct and direct. Instead of making contacts in a third country, businessmen can now hold direct talks and carry out on-the-spot inspection on the mainland. The procedures for shipping and transferring goods will also be simplified. We predict that economic and trade relations between the two sides of the straits will remain indirect in the early 1990's, gradually switch to direct in the mid-1990's, and become direct across the board in the late 1990's.
2. As far as participating manufacturers are concerned, the development will be from small- and medium-sized enterprises to large enterprises. The business operations of Taiwan manufacturers will also develop from individual and scattered to group and integrated. At the

same time, enterprises with official background or official enterprises, unwilling to lag behind, will also get involved in the mainland to make a profit. We predict that manufacturers investing in the mainland will be dominated by civilian and small- and medium-sized enterprises with some involvement of semi-official and large enterprises in the early 1990's, that the investments of official, large, and group enterprises will increase gradually in the mid-1990's, and that large enterprises will dominate the late 1990's.

3. As far as the field of exchange is concerned, cooperation between the two sides will broaden in scope. In the initial period, Taiwan manufacturers will engage mainly in trade activities and labor-intensive industries such as the light and textile industries. As situation develops, economic and trade relations will develop from trade relations to investment relations and multiple economic ties including technological and financial cooperation. Instead of investing in individual industries, Taiwan manufacturers will switch to the integrated investment of relevant industries involving the entire process of

production with increasingly higher level of technology and longer period of involvement.

4. As far as the field of cooperation is concerned, economic and trade activities have begun to spread gradually from several special economic zones such as Xiamen and Shenzhen and coastal open cities to the entire coastal open zone, forming a trend of development in which the increase of points will become the expansion of areas and scattered and decentralized development will become coordinated and centralized. We predict that major economic and trade locations will remain in the coastal open zone in the early and mid-1990's and move toward inland areas in the late 1990's.

In sum, the general trend of economic and trade relations between the two sides of the strait is developing toward the direction of direct, comprehensive, multi-level, multi-orientation relations, which will accelerate the arrival of a new stage of bilateral economic and trade cooperation.

**Statistics Show Exports Declining**

*91CE0064A Taipei CHING CHI JH PAO in Chinese  
16 Oct 90 p 7*

[Article by Wan Chungyi (8001 0022 0001), Lung Yiyün (7893 4135 0061), Li Chung (2621 0022), and Wu Weichung (0702 4860 1813): "Taiwan Is Unlikely To Duplicate Its Former Export Peak Achievements"]

[Text] Taiwan's economic boom and former export peak are over.

Although the export turnover of Chilung's customs business used to begin its "busy season" in September and October and climb to its peak around year's end, it has certainly not yet increased by 16 October 1990.

Chilung customs statistics show that it processed over 29,000 less export declaration forms in the fourth quarter (October through December) of 1978 than in the same period in 1977, for a negative growth of 8.4 percent. Chilung customs officers predict that the sharp economic slump in 1990 is bound to increase the negative growth rate of export turnover even more.

Chilung customs officers say that the negative growth in their volume of export declaration forms during the busy season for exports from October through December in the last two years, and the almost 20,000 less declaration forms handled in December 1989 than in December 1988 in particular, show the severity of Taiwan's export trade turnover slump. Although 1990's busy season should have begun by now, customs conditions have not heated up, and it has yet to be seen if they will before year's end.

A customs officer surnamed Chou points out that although traders used to process orders as soon as they received them, factories used to work all night long to finish producing goods, and customs export declaration form processors used to have successive waves of more business than they could handle, the export business turnover contracted by he and other customs officers since October 1990, cannot compare to that contracted in the same period in the last two years. He predicted that it was very unlikely that they would be able to duplicate their past peak turnover for the same period in the coming months. Automobile exporters say that they have exported about 20-30 percent less cars so far in 1990 than in the same period in 1989. Several large companies have gone bankrupt and disbanded with more than 100 automobiles still on hand, and the freight volumes of many companies have also fallen sharply due to the loss of much business from former customers, manufacturers, and business firms moving overseas.

Exporters point out that since local rents have increased, while insurance costs and salary expenditures have remained high, even the increase in freight shipping volume has not been much help to business growth because too many customers have been lost.

Fang Hanwei [2075 3352 4850], director of the Taipei Aircraft Shipping Center, says that although there will be neither a sharp increase or decline in import and export freight shipping volume in the fourth quarter of 1990, but only a gradual slide due mainly to the existing long-term contract relations between the foreign trade turnovers of manufacturers and business firms and foreign orders, the growth rate of 1990's foreign trade freight volume would be much lower than in former years.

Freight shipping center statistics show that freight shipping volume for imports, exports, and entrepot trade from January through September 1990 was 298,807,831 kg, or 2.82 percent more than the 290,623,437-kg for the same period in 1989, and that imports grew 10.6 percent, while exports declined 0.32 percent.

Director Fang says that since the Taipei Aircraft Shipping Center's freight volume has grown at an average rate of 11 percent a year over the years, the growth rate of only 2.82 percent for the first three quarters of 1990 is obviously a sizable decline.

Chou Chaoch'u [0719 5128 4342], director of the Ministry of Finance's Taipei Customs Export Group, also points out that export turnover is experiencing negative growth, with not only 0.04 percent less export declaration forms being handled in the first three quarters of 1990 than in the same period in 1989, but the number of goods on each declaration form also having decreased from 500 to 200-300 boxes, and predicts that these figures are likely to drop further in the fourth quarter of 1990.

Customs Export Group statistics show that 684,694 export declaration forms were processed in the first three quarters of 1990, or 0.04 percent less than the 684,948 handled in the same period in 1989, while this figure increased 8.87 percent from 1977 to 1978 and 1.47 percent from 1976 to 1977, which shows the extent of the decline.

Ho Chienchong [0149 1696 0022], director of the Taipei Customs Import Group, predicts that imports are likely to continue to decline. He says that while only 536,023 import declaration forms were processed in the first three quarters of 1990, or about a 6.8 percent decline over the 575,148 which were handled in the same period in 1989, tax revenue still rose 8.9 percent.

The officer in charge of the Ministry of Finance's Taichung customs says that the 11,389 import declaration forms processed by the Taichung Customs District in the 4th quarter of 1978, which were only about 16.7 percent of the number handled in the 1979 fiscal year, and the 41,834 export declaration forms processed in the fourth quarter of 1978, which were 20.7 percent of the number handled in the 1979 fiscal year, shows that the fourth quarter was certainly not the busy season for foreign trade, a situation that should not change much in 1990.

This officer also says that usually when Chilung and Kaohsiung customs are handling a lot of business, this shows that their canvassers have found plenty of orders, which cuts into Taichung's business. On the other hand, when business is declining and there is not enough shipping passing through Chilung and Kaohsiung, and they improve their service by coming to the port of Taichung to canvass for orders and vie for customers, this creates special circumstances in which Taichung's customs business grows instead.

The Lianghang Customs Declaration Firm reports that as Taiwan's recent boom is over and imports and exports are both declining, it is understandable that even banks will explore the possibility of easing credit or mortgages to vie for business, because they fear that the boom is not likely to reoccur any time soon.

The Kuoyao Shipping Agency Company reports that although Taichung's imports of mostly staple goods have been affected very little, its exports have clearly declined, with the impact being greatest on industries which produce goods, such as electric fans and furniture.

The Chienchung Shipping Company reports that customs clearances for Taichung's export goods have recently declined roughly two percent, imports of staple goods, such as coke and logs, are also declining, and short-term prospects are certainly not optimistic.

A figure from Kaohsiung's Customs Declaration Chamber of Commerce points out that business statistics from the last three years show that the fourth quarter is certainly not the peak season for exports, which is now roughly from March to August, after which exports begin to gradually decline in September. Extrapolating from export volume in the first three quarters of 1990, fourth quarter exports in 1990 are likely to decline about 20-30 percent from 1989.

The Ministry of Finance's Kaohsiung customs reports that although the fourth quarter has just started, they are now handling somewhat less export customs declarations business than in 1989, with the 32,998 export customs declarations processed by Kaohsiung customs in September 1990 being about two percent less than the 33,669 handled in September 1989.

Kaohsiung customs reports that although September export data accounts are not yet settled, the 194,786 export customs declarations processed in July and August 1990 are 6.5 percent less than the 208,034 handled in the same period in 1989. Predicting 1990's prospects based on current export customs conditions, fourth quarter exports should go more smoothly than formerly.

Ch'en Kuonan [7115 0948 0589], a member of the board of directors of the Kaohsiung Automobile Shipping Company and general manager of the Taifeng Communications Company, reports that while export companies have certainly not sensed a decrease in export turnover delays, they have been experiencing 10-20 percent less delays in shipping to America, but more delays in shipping to Hong Kong than in past years.

Ch'en Kuonan says that although predicted fourth quarter business volume in areas, such as customs declarations, should be 10-20 percent less than in 1989, as some individual companies in the shipping industry have experienced problems and shifted their sources of goods, it is quite possible that other exporters will not feel the overall decline. However, there are still no crowds of exporters at customhouses.

#### Multiple-Entry Visas for 21 Countries Considered

*OW2211225190 Taipei CNA in English 1508 GMT  
22 Nov 90*

[Text] Taipei, Nov. 22 (CNA)—The Ministry of Foreign Affairs is considering issuing multiple entry visas valid for up to three years to citizens of 21 countries, officials said Thursday.

They said the proposal will soon be submitted to Foreign Minister Fu Chien whose approval is expected.

The rule will greatly conveice the nationals of Great Britain, France and 13 other European countries as well as those of Canada, Australia, New Zealand, Singapore, South Korea, and Japan when they try to visit the Republic of China.

The officials said the government hoped the new rule will encourage reciprocal favors from those countries.

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### Xu Jiatun's Life in U.S. Described

HK2211014990 Hong Kong HONGKONG STANDARD  
in English 22 Nov 90 p 1

[By Fan Cheuk Wan]

[Text] Former director of the Hong Kong branch of the XINHUA News Agency, Xu Jiatun, still firmly believes in communism and wishes to return to the mainland one day, Master Shing Yun said yesterday.

The prominent Taiwanese Buddhist leader—and Mr Xu's host when he arrived in Los Angeles in May—told a Hong Kong press conference that Mr Xu is enjoying a comfortable life in the United States.

"However, Mr Xu still firmly believes in communism and he always thinks of his motherland. He hopes he will be able to return to the mainland one day."

Lu Keng, publisher of Hong Kong's PAI HSING semi-weekly, told THE HONGKONG STANDARD that one of Mr Xu's daughters received official approval two months ago to look after her father.

"Now she is living with Mr Xu, she cooks for him and takes care of his daily life." Mr Xu's second son, Xu Xiaomin, has started work for a computer company in California.

Mr Lu said Xu Gu Yiping, Mr Xu's wife, still lives in Nanjing and has no plan to join her family.

Master Shing Yun confirmed that American government officials have attempted to meet Mr Xu but their requests have been turned down.

"Neither has Mr Xu met any Taiwanese officials or any Chinese dissidents in the United States.

"He has only met Zhu Qizhen, the Chinese ambassador to Washington and another Chinese embassy official in May."

He said Mr Xu's family have moved into a seaside cottage about 90 minutes from the Fo Kuang Shan Temple where Mr Xu passes his time reading.

The Buddhist leader said he welcomes everybody at his temple.

"I will also welcome other guests such as Mr Deng Xiaoping, Mr Yang Shangkun, Mr Li Teng-hui as well as Mr Zhou Nan," he said.

"Mr Xu is very optimistic about the future of Hong Kong, he always thinks of his friends in the territory."

However, he said: "I think Mr Xu does not plan to return to the mainland in the near future."

Master Shing Yun is in Hong Kong for eight days and is due to give talks on Buddhism in the Coliseum from Friday to Sunday.

### Governor's Perception of Sino-Hong Kong Relations

91P30040A Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese No 299, Nov 90 pp 19-21

[Article by Yu Liu-min (7806 3022 3046), head of Journalism Department, Chu Hai College: "Overassertiveness Results in Leaving No Leeway; No More Shared Interest Causes Dissolution—Commentary on 'Hong Kong and China' in Governor Sir David Wilson's Annual Policy Speech"]

[Text] On 10 October 1990, Governor Sir David Wilson delivered an annual policy speech at the first meeting of the new session of the Legislative Council. In his speech, he reviewed the current economic situation, inflation, public order, emigration, and the problem of the boat people from Vietnam. He also discussed the prospects for infrastructure construction and the "Rose Garden Project" [the port and airport development project, or PAD for short]. In addition, he spoke of Hong Kong's role in the world.

The governor's speech can be described in four words: "cautious, optimistic, firm, and conservative." At this time of slow economic growth, social disorder, and mass emigration, the administration of the Hong Kong Government frequently looks feeble. Accordingly, it is impossible for his speech to make people respond with happy astonishment.

Nonetheless, people still pay close attention to the portion dealing with "Hong Kong and China" in his speech, that is, the section on Sino-Hong Kong relations.

After the 4 June incident in 1989, Sino-Hong Kong relations were for a time in state of mutual distrust and misunderstanding. The "British nationality package" and a "draft Bill of Rights" introduced by the Hong Kong Government aroused Beijing's anxiety and suspicion. Beijing thought that the government was playing petty tricks. Besides, during Hong Kong's widespread support for the democracy movement in Mainland China, the government appeared to be "happy about the success" of the movement. This necessarily resulted in a rather chilly Sino-Hong Kong relationship.

However, due to Britain's flexible or cunning and changeable diplomacy, London steered according to the wind. After Beijing pursued a policy of "stability as the overriding task," Britain began to actively adjust and improve its relations with China, for this was in line with long-term British interests in Hong Kong.

At the "1 October" cocktail party this year, both Zhou Nan and Sir David Wilson clung to the hope for good Sino-Hong Kong relations. The governor pointed out that Sino-Hong Kong relations have improved and that he expected continued improvement. Zhou Nan used these words—"mutual respect and treating each other with sincerity"—to convey the message that the Hong Kong Government should behave itself.

Half of the fourth section in the governor's speech was devoted to discussing Sino-Hong Kong relations. The 1,700-odd words of discussion fully reflect the Hong Kong Government's perception of Sino-Hong Kong relations in terms of "overassertiveness" and "interest."

First of all, the governor admitted that "in the continued developmental process of our relationship with China, there are inevitable stresses and strains." However, he was convinced that "this situation can be cleared up by mutual effort and mutual understanding." He maintained that, "both before 1997 and after, it is extremely important to the future well-being of Hong Kong to maintain a constructive relationship with China. Ignoring this reality or making no effort to develop such a relationship will do no service to the residents of Hong Kong."

This, of course, is beyond dispute.

As for how to improve Sino-Hong Kong relations, the governor especially pointed out that "over the past year, the Hong Kong Government and the British Government have worked to dispel misunderstandings and improve our working relationship with Beijing. My own visit to Beijing in January of this year was part of this effort. Mr. Francis Maude's visit in July provided a further valuable opportunity for discussions with high-ranking Chinese leaders."

Then, the governor discussed Sino-British relations in terms of "overassertiveness" and "interest."

Let's begin with "overassertiveness." This has something to do with effective administration of Hong Kong by the Hong Kong Government before 1997. Since "overassertiveness" is undesirable, the governor particularly emphasized: "As we get nearer to 1997, there will be an increasing need to ascertain that the Chinese Government has detailed knowledge of those important matters of policy that will extend beyond 1997. For Chinese leaders to have a full understanding of how Hong Kong operates, what our priorities are, and how we make decisions, will be beneficial to Hong Kong today as well as after 1997. To increase the exchange of information in this respect should not be viewed as giving the Chinese Government a veto over decisions that are properly within the sphere of the Hong Kong Government to make. The Chinese Government has never sought this, and I would not expect them to do so. The high degree of autonomy in many fields now being enjoyed in Hong Kong is of longstanding. Its continuation is guaranteed in the Joint Declaration and is stipulated in the Basic Law in explicit terms. Furthermore, the Chinese Government has undertaken in the Joint Declaration to cooperate with Britain in the administration of Hong Kong up to the transfer of sovereignty in 1997. Such being the case, our goal over the next few years is to improve consultation, intensify exchange of information, and build up better mutual understanding."

However, Beijing's perception in this regard may be different.

On 12 October 1990, solicitor Liu Yiu Chu [Liao Yao-chu 1675 3852 3796], a deputy to the National People's Congress from the Hong Kong and Macao area, published an article in WEN WEI PO entitled "Comprehensive Understanding of Cooperation Undertaken by China," criticizing incomplete understanding of the Sino-British Joint Declaration by the governor.

Liu Yiu Chu cited Article 4 of the Joint Declaration: "The Government of the People's Republic of China and the Government of the United Kingdom declare that, during the transitional period between the date of the entry into force of this Joint Declaration and 30 June 1997, the Government of the United Kingdom will be responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and social stability; and that the Government of the People's Republic of China will give its cooperation in this connection." This article, she said, merely means that, "during the transitional period till 30 June 1997, the Government of the United Kingdom is responsible for the daily administration needed to maintain and preserve the economic prosperity and social stability of Hong Kong. In this regard, the Government of the People's Republic of China will provide its cooperation. Conversely, for a gigantic development project of a noncontinuous nature, which would inevitably have impact beyond 30 June 1997, unable to ensure economic prosperity and social stability even before 30 June 1997, the Government of the People's Republic of China, of course, does not necessarily give its cooperation. In fact, it may exert all-out opposition."

Liu Yiu Chu's understanding of Article 4 of the Joint Declaration does not necessarily represent the view of Beijing. Nonetheless, regarding post-1997 sovereignty matters or convergence matters around 1997, Beijing and the Hong Kong Government obviously have different perspectives. For instance, the Hong Kong Government considers the "British nationality package" along with the "Rose Garden Project" the best plan for maintaining stability during the transitional period and bringing about development after 1997. But Beijing sees them as "usurpatory" measures, and even regards them as a fact reflecting the Hong Kong Government's failure to respect China's exercise of sovereignty over Hong Kong after 1997.

While the Hong Kong Government tries to maintain the status quo of noninterference from Beijing in the administration of Hong Kong, Beijing wants to create a favorable atmosphere so that the transfer of sovereignty can be carried out smoothly.

Both London and Beijing are fully aware of the profound truth contained in the saying that "overassertiveness results in leaving no leeway." As each goes its own way, it is hard to come to a common understanding.

The portion concerning "Hong Kong and China" in the governor's speech also emphasizes that, in Sino-Hong Kong relations, cooperation benefits both sides: "We

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have tried to convince the Chinese Government that actions taken over the past year about which Beijing has expressed doubt (for example, the British nationality package and the introduction of a draft Bill of Rights) have been part of our sincere effort to enhance stability in Hong Kong. The purpose is to strengthen Hong Kong's capability to prosper as a Special Administrative Region after 1997. Similarly, our major infrastructural projects (for example, the building of the new airport and the expansion of the port) are part of the long-term expansion plan. They must be started now if the Hong Kong Special Administrative Region is to be given the best possible chance for success and development... It would be difficult to exaggerate the importance of Sino-Hong Kong economic relations. China is Hong Kong's largest trading partner and a key contributor to the growth of Hong Kong's total output value. The flow of capital, technology, and commercial expertise from Hong Kong into Guangdong as well as other parts of southern China is a protracted characteristic of Hong Kong's economy. The flow of goods and foodstuffs from China into Hong Kong is another feature. In 1989, over 14,000 Hong Kong-based factories employed approximately 2 million workers in southern China. This has not only strengthened our foundation of production, but has also been an important factor responsible for bringing about an average annual increase of 30 percent in the total volume of our China trade during the past five years. The southern coastal region, especially the Zhu Jiang delta, will undoubtedly become an area of substantial economic growth for the next 20 or 30 years. Hong Kong must be ready so that it will be able to play a key role in this process of development."

Nonetheless, Beijing's perception of "interest" is obviously different from that of the Hong Kong Government. Based on Beijing's habitual way of thinking, the "Rose Garden Dream" is considered nothing but a "beautiful dream" of the British way of seeking interest by trickery during the transitional period. Moreover, stability and prosperity after 1997 are based on the foundation of "full exercise of sovereignty." "Ideal success and development" of the Hong Kong Special Administrative Region is naturally guaranteed by the Basic Law. As to the post-1997 matters, the Hong Kong Government cannot by itself make any policy.

The Hong Kong Government's announcement that it will supply capital for the building of the "Ching Ma Main Bridge" is naturally viewed as a kind of "act first, report later" behavior. The fact that Ji Pengfei criticized the Hong Kong Government of "playing a little trick" indicates Beijing's anxiety and suspicion toward the "Rose Garden Project." "No more shared interest causes dissolution." Will Sino-British relations eventually "dissolve" as a result of a conflict of interest? Admittedly, Beijing is worried about British pursuit of selfish interests by implementing the project, and the destruction of Hong Kong economy by a wholesale plundering during the transitional period. How can we say that the residents of Hong Kong are not worried that the Sino-British

scramble for interests will make Hong Kong's magnificent prospects vanish completely?

During the latter half of the transitional period, the subjective desire of both sides is to maintain and develop good Sino-Hong Kong relations, as well as to uphold stability and prosperity in Hong Kong so that sovereignty can be smoothly transferred. Yet, the realization of the subjective desire will be beset with difficulties if both sides are concerned only about their own "overassertiveness" and "interest."

### Party Formation Hampered by Factional Dissension

90CM0007A *Hong Kong PAI HSING [THE PEOPLE]*  
in Chinese No 223, 1 Sep 90 pp 44-46

[Article by Lin Pei-shan (2651 3805 3790): "New Developments for Hong Kong Political Parties—Business Circles Have Latent Concerns About Organizing a Party and Dissension Appears Within the Democratic Faction"]

[Text] Although quite a few high officials and members of the two legislative councils are on summer vacation, spending their vacation elsewhere, the elections for the Regional Council next March, the Urban Council in May, and the Legislative Council in mid-September are imminent. All the political organizations are busy organizing and formulating plans to participate in next year's elections. So, political organizations have recently shown a lot of enthusiasm and there has also been more news about it.

Before she went on "summer vacation," a conflict of interest blew up for Tam Hui-chu [6223 1920 3796], member of two councils and chairwoman of the Communications Advisory Commission. She also was suspected of meddling with freedom of the press. After Tam Hui-chu was interviewed by the television station and accused herself of an indiscretion, she went to Canada to visit relatives and take temporary haven. She should be back in early September.

Tam Hui-chu is an important operative in the business circle's political party, the Liberal Democratic Federation. It had hoped to keep up by getting established in August or September. Tam Hui-chu at this critical juncture not only disturbed this, but also voluntarily absented herself for a month. People will naturally be watching what effect this has on the Liberal Democratic Federation.

According to the analysis of people in the Liberal Democratic Federation, Tam Hui-chu's monthlong absence without a word is bound to have an effect on the progress of planning for the Liberal Democratic Federation. They are convinced that establishment of the Liberal Democratic Federation will also have to be delayed by approximately a month. But, what now troubles some members of the Liberal Democratic Federation is not at all when it

can be formally established, but what kind of organization they can establish. In the beginning those establishing the Liberal Democratic Federation were key figures in The 89 Business Consultative Group, including such people as Lo Kang-jui [5012 1660 3843], Kuo Chih-chuan [6753 1807 2938], Wu Hsiao-chen [0124 1420 6297], Chen Yung-chi [7115 3057 2759], and Tien Pei-chun [3944 0554 0193]. They had hoped to establish a political party that could speak for business circles, even though not many people from business circles participate in politics. They also hoped to enlist some "spokesmen" from business circles through the Liberal Democratic Federation to safeguard business interests.

Organization work began early this year. By April or May, the 89 key persons came up with another line of thinking. They hoped to establish another business and professional group similar to the Japanese Keidanren [Federation of Economic Organizations], professional fund, and policy conference, and then support the electoral machinery of the Liberal Democratic Federation to take control of the seats on three legislative levels, and pursue business and professional circle policies.

But now the organization of the Liberal Democratic Federation cannot go according to these business people's expectations. As you know, local district members of the Regional Council in the Liberal Democratic Federation are uncomfortable with the concept of the Liberal Democratic Federation as a business party or a spokesman for business circles. They think that this might not be advantageous for the legislators participating in direct elections. So, they hope to establish a form that cuts across social strata and serves the interests of all Hong Kong.

This thinking, along with the present organizational situation of the Liberal Democratic Federation, is a cause for worry among some of the original 89 people. They proposed that, in the present organization of the Liberal Democratic Federation, Hu Fa-kuang [5170 3127 0342] should be only a part-time employee and Tam Hui-chu and Kuo Chih-chuan should be full-time employees. Those two people five years ago set up the Progressive Association. So, now in drafting the party platform of the Liberal Democratic Federation, they can just transfer the platform of the Progressive Association word for word. Kuo Chih-chuan has indicated publicly that he already has over 50 members of the three legislative levels enrolled. Actually, this is not very exciting. The Progressive Association also formerly had 40 democratically elected members of the Regional Council and seven appointed members. Many of the legislators enrolled are former partisans of the Progressive Association. Perhaps these people have some local fame, but they do not have a reputation at the central level. The present Liberal Democratic Federation is just a refurbished version of the Progressive Association and the Progressive Association has worked for five years

without making any improvement. Why would the Liberal Democratic Federation want to follow the old way of the Progressive Association?

As you know, the viewpoint of these people is that Western capitalist countries can have conservative parties and Japan can have the Liberal Democratic Party, and Hong Kong people value tangible benefits and respect capitalists. Quite a few people take Li Chia-cheng [2621 0857 6134] as their model. Parents also hope that their children will be "bosses" when they grow up. This proves that Hong Kong society does not reject capitalists. Why can we not use the name and establish a business people's party or a party that is a spokesman for business circles? This party certainly would not be only for business interests, but for the interests of all Hong Kong. But, Hong Kong is a capitalist society. If we can protect the profits that business people earn here, we can maintain Hong Kong's prosperity. Five years ago Li Peng-fei [2621 7720 7378] came forth to organize a party. Its formal name was the Talent Party. It was socially refined and wanted to protect business interests. It also did not meet with any dissention. Why do we now want to be so evasive? Even the party name has to be "liberal" or "democratic," and the platform transfers that of the Progressive Association, cutting across social strata. How can we ask other people to support that universally applicable platform without any distinction from the "democratic faction"?

They are even more worried that, if the Liberal Democratic Federation does not have a clear platform or take a direction, then each legislator can vote as he pleases or in whatever way will ingratiate him with the voters. For example, in July when the Legislative Council was debating the importation of workers, a legislator rather familiar with the Progressive Association, who could very well be on the slate of the Liberal Democratic Federation for direct election to the Legislative Council, told a member of the Legislative Council from the business circle of the Liberal Democratic Federation that he hoped that he would understand that he had to oppose the importing of workers, because next year he had to face direct election to the Legislative Council.

In addition, there are also some members in the region who had been somewhat supportive of the Progressive Association and have indicated that they do not want to enroll in the Liberal Democratic Federation, because it would not be good for their election prospects, but they want to receive financial assistance from the Liberal Democratic Federation even though they cannot make this known publicly.

Those business people who hope that the Liberal Democratic Federation will act as a spokesman for business circles cannot help but ask how the people mentioned above could represent business interests and become spokesmen for business circles. It is a shame that now, when the Liberal Democratic Federation is seeking members from the outside, it cannot invite those well-qualified people that it really wants to enroll. Quite a few

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who want to enroll trim their sails to meet the wind or are people with no stable strength. If this situation is not rectified without delay, it could be a great danger lurking for the development of the Liberal Democratic Federation.

Another worry for the Liberal Democratic Federation is that it cannot draw Li Peng-fei, the chairman of the Legislative Council, into an alliance as leader. It would be inadvisable for Li Peng-fei, as chairman of the Legislative Council, to join any political party before 1991, to avoid causing his colleagues in the Legislative Council to think that he is lending his support to a certain faction. He could refuse to participate in next year's Legislative Council election. He could always wait to see if the Hong Kong governor appoints him again before he decides. He has changed his tune completely from two or three months ago. At that time, he indicated through an intermediary that if he were a member of the Legislative Council next year it would be through election. He had to consider whether he would participate in the functional or the direct election. Now he does not rule out being appointed to the Legislative Council.

Originally, the Liberal Democratic Federation had a perfectly good concept, making Li Peng-fei party chief, and Tam Hui-chu, Chang Chien-chuan [1728 7003 3123], and Lo Kang-jui [5012 1660 3843] deputy party chiefs. Tam Hui-chu would be responsible for direct election to the Regional Council, the Urban Council, and the Legislative Council; Chang Chien-chuan would be responsible for functional groups; and Lo Kang-jui would represent the Group of 89. Unfortunately, Lo Kang-jui is presently concentrating on the "business and professional group"; because Chang Chien-chuan cannot work with Tam Hui-chu, he has no intention of enrolling in the Liberal Democratic Federation; and Li Peng-fei cannot enroll now. Tam Hui-chu is all that remains of this fine troupe. This also makes several business people believe that the Liberal Democratic Federation is too much like a refurbished version of the Progressive Association, without any new ideas or attraction.

As you know, the Liberal Democratic Federation has now raised \$3 million. But they are still far short of the over \$20 million that they have budgeted to spend in next year's elections. The Liberal Democratic Federation hopes to raise money from the industrial, commercial, and real estate sectors. A real estate tycoon has indicated that merchants in the real estate sector are willing to assume a large part of the costs, but they can do this only if the industrial and commercial people also give their support. Fund-raising in the industrial and commercial sectors, however, is less than ideal. The commercial sector is associated with Kuo Chih-chuan, but in recent years the Kuo family's Yung-an Group has been losing its effect on the market. What is more, Kuo Chih-chuan is gradually losing control of the Yung-an Group and his appeal is discounted. In the industrial sector, the Liberal Democratic Federation hopes to seek the assistance of Chen Jui-chiu [7115 3843 3808], the highly respected leader in textiles.

Although the Liberal Democratic Federation office in the Wanchai has begun to function, it still appears to be faced with a heap of problems.

The democratic faction is progressing rather rapidly in preparing for next year's elections. The four large democratic faction organizations: The Hong Kong United Democratic Alliance, the Association for Democracy and People's Livelihood, the Meeting Point, and the Hong Kong Affairs Society have twice met to discuss cooperation of the four associations in next year's elections. But sparks were raised when the four associations met for the first time in July.

Feng Chien-chi [7458 2914 1015], who is designated to be the chairman of the Association for Democracy and People's Livelihood, intends to link up with Lo Hsiang-kuo [5012 4382 0948], vice chairman of the moderate faction of Association to Build Hong Kong, to stand for direct election to the Legislative Council from Kowloon's western electoral district. This move elicited a great deal of discontent in the upper echelon of the Hong Kong United Democratic Alliance; Szu Tu-hua [0674 1778 5478], Yang Sen [2799 2773], and He Chun-jen [0149 0193 0088] were especially infuriated at Feng Chien-chi.

The Hong Kong United Democratic Alliance gave as its reason that Lo Hsiang-kuo was the first president of the Chinese University Student Association and belongs to the traditionalist faction, is well-acquainted with the Chinese side, and was an adviser on the Advisory Committee. Lo Hsiang-kuo, who is a more prominent leader, is vice chairman of the Association to Build Hong Kong. It is the work of Cheng Chieh-nan [4453 0094 0589], the archenemy of the democratic faction. Some radicals in the Hong Kong United Democratic Alliance also suspect that Feng Chien-chi is "pro-Chinese" and a "capitalist roader." After the first meeting of the four associations, various criticisms of Feng Chien-chi spread like wildfire in the news media. Some people suspected that it was leaked by the Hong Kong United Democratic Alliance.

Feng Chien-chi's explanation for this is that, a full six months ago, he began to seek a partner for the competitive elections. He sought advice within the Association for Democracy and People's Livelihood and from the responsible person of the Sham Shui Po regional branch of the Hong Kong United Democratic Alliance (at that time it was not formally established). As regards the Meeting Point, the head of the Meeting Point, Chang Ping-liang [1728 3521 5328], was interested in forming a partnership with him. The responsible person from the Sham Shui Po regional branch of the Hong Kong United Democratic Alliance also thought that it was ideal. Members of the Association for Democracy and People's Livelihood introduced Lo Hsiang-kuo to him. So, Chang and Lo discussed working together.

He believes that Lo's political views conform with the basic line of the Association for Democracy and People's

Livelihood. Lo's knowledge of finance and economics will help the Association for Democracy and People's Livelihood establish a financial and economic policy for the middle and lower classes. Whether he forms a partnership with Lo must be approved by the internal organization of the Association for Democracy and People's Livelihood. Lo and Cheng Chieh-nan have known one another for only a little over a year. The Association for Democracy and People's Livelihood is only pulling to have Lo join. It certainly has no intention of working with the Association to Build Hong Kong. The Association for Democracy and People's Livelihood's stand toward China is still totally clear. They still believe that the Chinese Government's suppression of the democracy movement was wrong. Their stand is clearer than that of the Hong Kong United Democratic Alliance.

The Hong Kong United Democratic Alliance handled this matter very clumsily. After the internal organization decided that they could not admit Lo Hsiang-kuo, they met with the Association for Democracy and People's Livelihood for the first time and were furious with the Association for Democracy and People's Livelihood and would not let the Association for Democracy and People's Livelihood and Lo Hsiang-kuo defend themselves against the accusations. Afterward, the news media spread various slanderous rumors about the Association for Democracy and People's Livelihood's political stand and finances, and even about Feng Chien-chi. Some people suspected that the Hong Kong United Democratic Alliance not only wanted to squeeze out Lo Hsiang-kuo, but they wanted even more to put down the Association for Democracy and People's Livelihood.

This is reflective of many problems. The upper echelon of the democratic faction has all along been seen by outsiders as autocratic and heavily exclusivist. The suspicion that they want to squeeze out Lo Hsiang-kuo is an obstacle to enlarging the democratic faction and attracting people of different factions and social strata who are inclined toward democracy. Also, the Hong Kong United Democratic Alliance sees itself too much as the largest association in the democracy faction. If other groups in the democratic faction do not go along with its ideas, it wants to suppress them. The Association for Democracy and People's Livelihood has been established in Sham Shui Po for a number of years and has definite strength. The Hong Kong United Democratic Alliance's proposal that, because they are not satisfied with the partnership that Feng Chien-chi has found, they must find someone to "fill in," is truly disrespectful toward the Association for Democracy and People's Livelihood. Talk of cooperation among the four associations is not for individual districts, but overall coordination, mutual concessions, and mutual compensation. It certainly is not screaming to beat and kill [the other party] as soon as something does not go one's way. Where does the good faith for mutual assistance come from? Moreover, spreading "information" detrimental to Feng Chien-chi after the meeting was a very dangerous

practice. It certainly does not work to the advantage of uniting the democratic faction. If the Hong Kong United Democratic Alliance does not want to fabricate it, the Hong Kong United Democratic Alliance should ascertain where the information comes from to make sure that the same thing does not occur again, causing discord within the democratic faction.

The Association for Democracy and People's Livelihood is certainly not without blame in this incident, but, for the most part, the Association for Democracy and People's Livelihood and Feng Chien-chi are the victims, easily inviting people's sympathy. Although we could say that the Association for Democracy and People's Livelihood sought an interchange with people of the western Kowloon branch of the Hong Kong United Democratic Alliance and endorsed the cooperation between Feng and Chang Ping-liang, at that time the Hong Kong United Democratic Alliance was not yet established and they did not know if other members might be interested in the western Kowloon Branch. After the Hong Kong United Democratic Alliance was established, the two sides did not have any further contact on this matter.

The origins of the estrangement between the Association for Democracy and People's Livelihood or Feng Chien-chi and the Hong Kong United Democratic Alliance were self-evident. Last year Feng Chien-chi was a key person in organizing the Hong Kong United Democratic Alliance. Later, because of different class proclivities, Feng resigned. Feng's resignation meant that the Association for Democracy and People's Livelihood could not disband and enter the Hong Kong United Democratic Alliance, weakening the unified image of the democratic faction and the power of the Hong Kong United Democratic Alliance. But in another quarter, Li Yung-ta [2621 3057 6671], the vice chairman of the Association for Democracy and People's Livelihood, together with over 10 members of the Association for Democracy and People's Livelihood from three legislative levels entered the Hong Kong United Democratic Alliance. This also was a great blow to the power of the Association for Democracy and People's Livelihood. West Kowloon is Feng Chien-chi's home area. He hoped to use his personal popularity to see that one more person from West Kowloon got elected to the Legislative Council for the Association for Democracy and People's Livelihood, and he did not want the Hong Kong United Democratic Alliance to get involved in that district. Of course, this is understandable. A greater problem arose from Feng Chien-chi's seeking a partner and the Hong Kong United Democratic Alliance's being unable to accept him. It further increased the divergence of the two associations.

Relevant problems are still pending and have not been resolved. But when an article in CHING PAO reported this matter, both associations handled it with a low-key attitude to keep the matter from further hurting the feelings and the images of the two associations.

The Hong Kong United Democratic Alliance is the largest party in the democratic faction. The Association

for Democracy and People's Livelihood also wants to restore its power to develop into a political party. The Hong Kong Affairs Society has pretty much been absorbed into the Hong Kong United Democratic Alliance. The Meeting Point is happy to discuss politics. They only need some members to become part of the three [legislative] levels and to reflect the Meeting Point's point of view. So, the conflict within the democracy faction is mainly between the Hong Kong United Democratic Alliance and the Hong Kong Association. The present conflict is just the first. I believe that it is inevitable that they will continue to occur in the future. It remains to be seen how the two associations handle it.

Others interested in entering next year's electoral battle have also stuck their heads out in recent days. The federation of a New Territories group with a leftwing Hong Kong labor union is causing some concern.

The New Territories group could actually get the two main opponents, Chang Jen-lung [1728 0086 7893] and Liu Huang-fa [0491 4106 4099] together, along with the stalwarts of the rural faction, Chen Jih-hsin [7115 2480 2450] and Huang Yuan-chang [7806 3293 4545] to form [a party] with the temporary name of The Stable Hong Kong Association. New Territories people are accustomed to being straightforward in their actions. They are fighting for the rights of the original male residents and publicly oppose a human rights law and sexual equality. Now they also are coming out for pacifying Hong Kong and in favor of making Hong Kong stable. Of course, everyone can ask what is their support?

But, we also should not underestimate rural power in Hong Kong. Because the Rural Council has special powers, they also have a special way to get into the Regional Council and district Urban and Legislative Councils, and they can mobilize the farmers to vote in the elections to the three legislative levels. Although prospects for direct election do not look as good as they did in the early 1980's, they still have a batch of votes that they can mobilize.

But neither should we overestimate them. The government has greatly expanded the new urban towns and

urban area residents have poured into the New Territories and have diluted the voting power of the original residents of the New Territories. What is more important is that the organizations based on local interests or the interests of the original inhabitants do not have any ideas on the New Territories or concerns of the original residents. This region could have five members on the Legislative Council, including Liu Huang-fa, Chang Jen-lung, Tai Chan-hua [2071 1455 5478], Lin Wei-chiang [2651 0251 1730], and Hsueh Hao-jan [5641 3185 3544]. Some members of the Legislative Council indicate that the policies and attitudes of the first four on matters outside of the New Territories are largely equivocal. They will agree to support the first person who asks them. But, since they do not speak in support of anyone or vote in the meetings, even Hsueh Hao-jan, with his razor wit, has no way to win them over.

As regards the Labor Federation, after receiving Ji Peng-fei's [1213 7720 7378] edict to strive to participate in the 1991 election, they are now going out to motivate registered members to become voters and actively participate in next year's election. The Labor Federation has further indicated that they intend to assign members to participate in the direct election to the Legislative Council from the East Kowloon and North Kowloon electoral districts. Their posture is quite clear. It is predicted that East Kowloon could have Tu Yeh Hsi-en [2629 0673 6932 1869], Szu Tu-hua [0674 1778 5478], and Pan Chih-hui [3382 1807 6540] participate in the election. The Labor Federation will probably have difficulty dividing up the pot. North Kowloon includes the site of the Labor Federation's general headquarters at Kua Bay, and that district has no powerful candidate. So, the Labor Federation certainly does not lack an opportunity. The left wing also had participants in the previous Regional Council elections, but they were not at all prominent. This time they are actively participating and as outside observers the leftwing organizations have a good opportunity to mobilize strength in Hong Kong.

As the drama of next year's election drags on, I believe that there could still be a series of scenes played out. The political situation also could change rapidly. For example, Tam Hui-chu was forced to take a month off because of Hsiao Hsiao Taxi Company stock. I think that this is a very good lesson for people of Hong Kong who are not well acquainted with the game of politics.

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